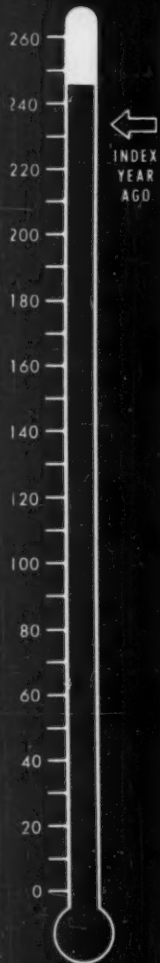


BUSINESS WEEK

Cigarette
Brands

YEAR OF THE KING-SIZE
PAGE 41



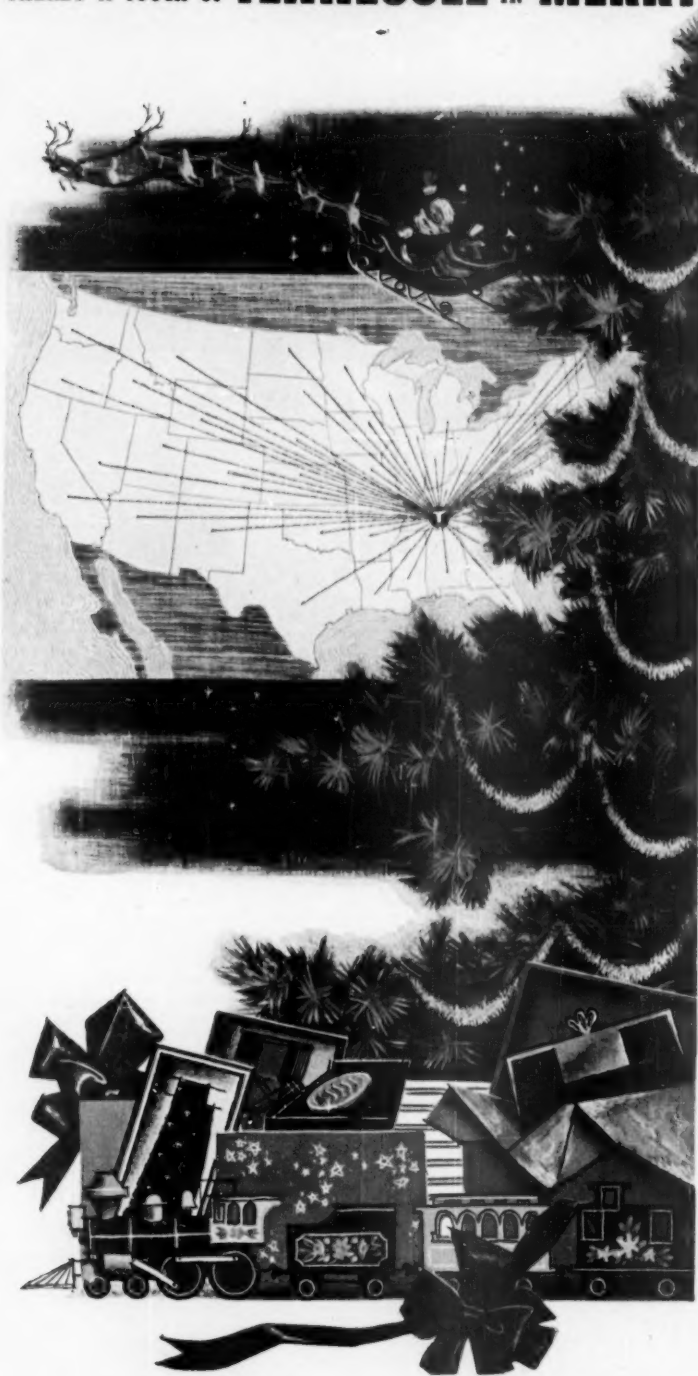
Virginia Metal Products' Patrick: "Every business should be run by a lawyer." (page 86)

A MCGRAW-HILL PUBLICATION

DEC. 27, 1952

TWENTY-FIVE CENTS

THERE'S A TOUCH OF **TENNESSEE** IN MERRY CHRISTMAS



*In Dad's necktie,
in Mother's handbag,
in Junior's socks,
in Sister's compact,
in Baby's toys.*

*To those industries
across the nation whose
business has made
Tennessee Products what
it is, and to the millions
of Americans they serve—
Best Wishes for a
Happy Holiday Season.*



TENNESSEE
PRODUCTS & CHEMICAL
Corporation
NASHVILLE, TENNESSEE

Producers of: FUELS • METALLURGICAL
PRODUCTS • TENSULATE BUILDING
PRODUCTS • AROMATIC CHEMICALS
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CHEMICALS

Link-Belt Research and Engineering . . . Working for Industry

Under water or through 20,000 feet of rock... tough drilling calls for LINK-BELT chain drives

**For 50 years LINK-BELT
has helped oil field
operators maintain
production schedules**

OIL is where you find it. And whatever the location, production schedules must be maintained. That's why so many high-power drilling rigs and pumping units—particularly at isolated sites—are driven with Link-Belt chain. The high-speed, heavy-load capacity of these long-life drives meets every requirement for rugged oil field service.

In addition, experienced operators rely on many other Link-Belt products to cut drilling, producing and refining costs. Link-Belt Shale Shakers assure "clean" mud required for drilling. Link-Belt ball and roller bearings, enclosed gear drives and flexible couplings—all provide efficient power transmission under the toughest service conditions.

It's the same story in industry after industry—Link-Belt research and engineering are making valuable contributions to increased production, lower costs. Wherever wheels turn or materials move, you'll find Link-Belt conveying, processing and power transmission machinery at work—providing efficient, mechanized service.

On the largest power rig afloat (top), Link-Belt Precision Steel Roller Chain minimizes costly shut-downs. This and other Link-Belt products (bottom left) are widely used as components throughout the oil fields. Link-Belt Shale Shaker (bottom right) assures a continuous supply of "clean" mud, free of foreign material.

12,000



55-40 Hyper oil drilling chain

Precision steel roller chain

Ball and roller bearings



Link-Belt
Shale Shaker

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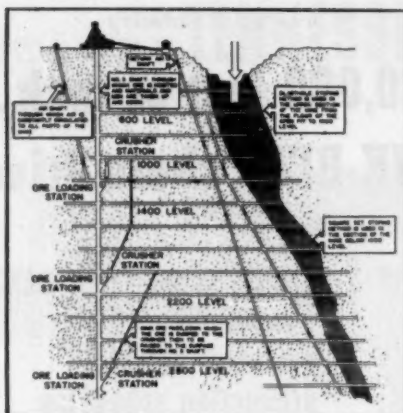
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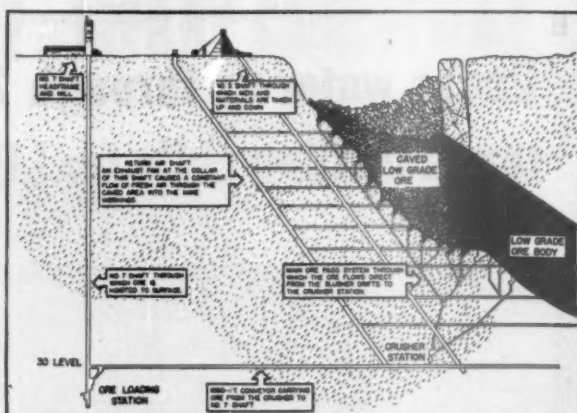
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**ONE SOURCE . . . ONE RESPONSIBILITY
FOR MATERIALS HANDLING AND
POWER TRANSMISSION MACHINERY**



Blasthole Mining is a method of breaking ore from the face of the slope, or working place, by using explosives in long holes drilled with diamond or tungsten carbide tipped drill bits. The broken ore falls to the bottom of the slope and into a series of cone-shaped chutes prepared before actual slope mining is commenced. The bottom openings of the cones lead into small drifts in which a scraper is used to drag the ore to an opening above the ore cars.



In the **Caving Method of Mining**, a slice of ore is taken from the bottom of the area to be mined, and the ore supporting the sides of the block is weakened as well, to allow the entire mass to move downward. As the block of ore moves downward it tends to disintegrate; furthermore, the weight of the ore in the upper part of the mass acts to crush the ore at the bottom. Openings for the recovery of the broken ore are placed in the bottom of the area to be mined, in the same manner as for the blasthole method.

MECHANIZATION PLUS BULK MINING METHODS DOUBLE UNDERGROUND PRODUCTION OF NICKEL ORE

Expansion of Underground Operations Started More Than 10 Years Ago

A long-range program of conversion to all-underground mining, initiated during World War II, is being pushed toward completion by The International Nickel Company of Canada, Limited, in the Sudbury district of Ontario. By 1953 the Company will be able to hoist 13,000,000 tons of ore a year, twice as much from underground as in any year prior to 1951. The conversion program will involve expenditures of about \$150,000,000.

Expansion of underground operations has been carried on without interruption of Inco's capacity production schedules. Actually, by the installation of emergency facilities the Company was able by mid-year of 1951 to increase its rate of nickel production by more than 1,000,000 lbs. per month. This increase, achieved several months ahead of schedule, was of vital importance to the defense requirements of the free nations.

Development of low cost bulk mining methods and improvements in metallurgical practice made it possible for Inco to secure much of this tonnage replacement from ore bodies lower in grade than it had ever before worked in its underground mining.

The two bulk mining methods adopted by Inco for recovery of lower grade ores are blasthole and induced caving. The outstanding difference in the two methods is that in blasthole mining the ore is broken from the slope face by explosives, while in caving the weight of the moving ore mass accomplishes the same result.



A Surface Plant at One of the New Shafts. This shaft and concentrator were completed in 1951. Inco is now operating a total of 13 shafts.

Junior Drilling Rig which helped to establish record for opening new drift at Creighton mine.



Part of the Inco Transportation Department's Stockyard at an average day. Inco's transportation system handles upwards of 2,000,000 tons of material per month, the main items of which are ore, flux, sand fill, fuel, mine timber equipment and supplies, intermediate revere products, and final products from the smelters including slag to the dump and blister copper to the copper refinery. In the foreground are tailings line pipes.



THE INTERNATIONAL NICKEL COMPANY, INC., 87 WALL STREET
NEW YORK 3, N. Y.

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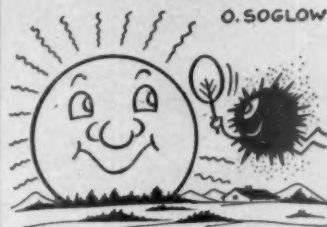
ADVERTISING & BUSINESS MANAGER Herman C. Sturm

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AIR-MAZING FACTS



O. SOGLOW

DUST COOLS THE SETTING SUN! As the sun gets closer to the horizon its rays have to pass through more of the earth's dusty atmosphere. That's one reason why the sun doesn't feel as hot late in the day as it does at noon.



CLEAN BILL OF HEALTH FOR OIL! Harmful abrasive particles are removed from engine lubricants and fuels by Air-Maze liquid filters. Special "disc" construction provides many times more effective filter area than other types. Filter is all-metal. Like new after cleaning.



MUM'S THE WORD!

Air rushing through engine and compressor intakes often sets up disturbing sound waves. Air-Maze filter silencers muffle the noise, help employees work better, keep the neighbors happy.

WHETHER YOU BUILD OR USE engines, compressors, air-conditioning and ventilating equipment, or any device using air or liquids — the chances are there is an Air-Maze filter engineered to serve you better. Representatives in all principal cities, or write Air-Maze Corporation, Cleveland 5, Ohio.

AIR-MAZE

The Filter Engineers

AIR FILTERS
 SILENCERS
 SPARK ARRESTERS

LIQUID FILTERS
 OIL SEPARATORS
 GREASE FILTERS



Americans spend *more than half their time and billions of dollars* using Institutions Services

Americans away from home—at work in offices and factories, at school or college, traveling for business or pleasure, in hospitals or sanitariums, in restaurants and industrial cafeterias, in the armed forces, at large public gatherings—create the tremendous mass feeding, mass housing

institutions market. They spend over half their time and billions of dollars in using institutions services.

Institutions are restaurants, hotels, hospitals, schools, clubs, colleges, transportation systems, office buildings, youth service organizations, industrial plants, public auditoriums, government buildings, the armed services—all with common problems and interests in public service.

The annual income of institutions is more than 40 billion dollars; annual food sales exceed 14 billions and annual expenditures for construction, maintenance and furnishings are over 9 billions.

If you manufacture a product that can be used in mass feeding or mass housing, you should be selling the institutions market—BIG, fast growing, easy-to-reach.

Get All the Facts About Institutions Now

If you would like to have the exact picture of the possibilities for your product in the institutions market, write direct to INSTITUTIONS Publications or . . .

Consult Your Advertising Agency

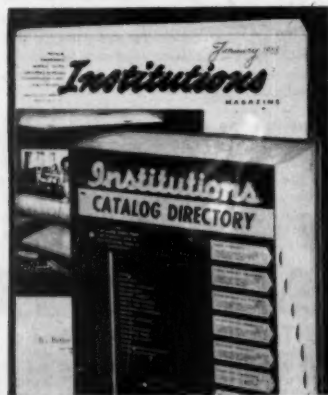
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Serving those who provide food and housing for millions.

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Chicago 16, Illinois

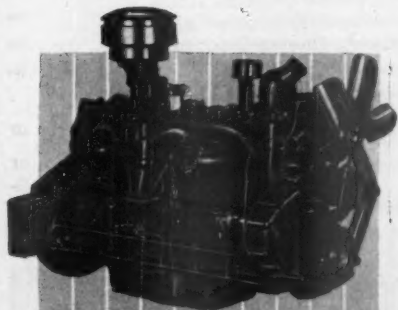


BIG DRAG
with
LITTLE EFFORT



Photo courtesy Clark Equipment Company, Battle Creek, Michigan

**Chrysler-powered
Clarktor pulls more
than two and a half
times its own weight**



There was a time when a load like this was considered too heavy for one trip. Today, pulling loads this big . . . and bigger . . . are a daily experience for towing tractors. Manufacturers depend almost completely upon mechanized plant transportation to put materials, parts and assemblies in the right places at the right times . . . to maintain the pace of modern-day mass production.

Here Chrysler Industrial Engine Model 6 teams up with a Clarktor 21 to move twenty-four 700-pound street car motors from production line to shipping dock. This is but another fine example of the workhorse-dependability of Chrysler High-speed and High-compression . . . of Chrysler-engineered Power at Work.

Chrysler offers a large number of options from which you can

"custom-equip" industrial engines to meet your own specifications. Propane or natural gas-burning carburetors, updraft or downdraft carburetion, standard, fungus-treated or corrosion-resistant electrical systems, glycol Fluid Coupling or Torque Converter . . . to name only a few.

Despite all these advantages, Chrysler Industrial Power is not expensive. Production-line methods adapted to specialized industrial engine building, provide a custom-built engine at mass-production prices.

Chrysler Power can work for you, too. See the nearest Chrysler Industrial Engine Dealer. Let him recommend one of nine basic Chrysler Engines. If your problem is special, write: Dept. 112 Industrial Engine Division, Chrysler Corporation, Trenton, Michigan.

CHRYSLER
Industrial Engines

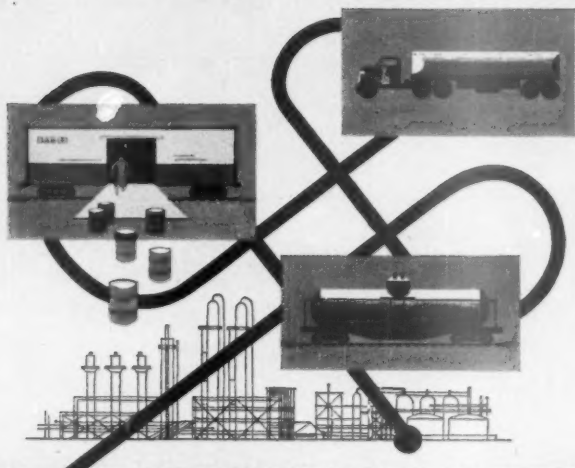
HORSEPOWER



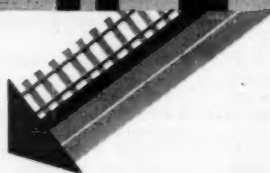
WITH A PEDIGREE

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LOOKING FOR PHENOL,
GLYCERINE, MALEIC ANHYDRIDE,
PHTHALIC ANHYDRIDE,
SODIUM SULFATE,
SODIUM SULFITE,
CALL ON RCI



CHEMICALS



• Reichhold has become a major producer of the basic chemicals listed above primarily to supply its own world-wide manufacturing organization. The uniformity and quality of these chemicals are assured by the very latest production equipment and quality control systems. Because of the tremendous capacity of these RCI plants, Reichhold is frequently able to share its output with other industries. If you need phenol, glycerine, maleic anhydride, phthalic anhydride, sodium sulfate or sodium sulfite, call on Reichhold for current availabilities . . . write, wire or phone the Chemical Department.

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special steels take talent, too

Natural aptitude, years of study and a talent for simplifying the difficult are all essential in the jobs of metallurgy and engineering at Crucible. That's because Crucible's specialty steel activities are different from what we ordinarily associate with *Steel*. For Crucible's most *usual order* often times calls for a most *unusual application* of steel.

For example, analyze the myriad parts that make great organ music possible . . . and you'll find Crucible special steels used in pumps, tubing, springs, valves, magnets,

lamps and studs. The list of Crucible special steel applications is long — from atomic energy plants to precision, surgical instruments; from television sets to cafeteria trays; from juice evaporators to jet engine assemblies.

The range of Crucible's special purpose steels is constantly increasing to meet industry's ever-growing demands. Gain from Crucible's more than half century of specialty steel leadership . . . this experience is at your call.

CRUCIBLE

first name in special purpose steels

52 years of *Fine* steelmaking

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Stacking drums of liquid soap ceiling high at Eastman Kodak Company, Rochester, N.Y.

use every inch . . . stack to the roof, save space, double your storage area. You can do it easily, quickly, economically with a Towmotor fork lift truck. Towmotor handles all types of material. For the name of your nearest Towmotor Representative and a copy of Towmotor's tabloid size magazine on materials handling, write Towmotor Corporation, Div. 2, 1226 E. 152nd St., Cleveland 10, Ohio.

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THE ONE-MAN-GANG

FORK LIFT TRUCKS and TRACTORS

RECEIVING • PROCESSING • STORAGE • DISTRIBUTION

READERS REPORT

Better Safe Than Sorry

Dear Sir:

In your Nov. 29, 1952, issue (page 127) there appears an excellent article under *Personal Business* recommending a checkup of insurance on the assured's homes, and the writer wishes to express his appreciation and thanks for same, not only personally but also on behalf of the insurance business.

For your information, I might add that I have read quite a number of fine articles on the subject of insurance in your magazine, and in several instances they have appeared in your magazine before reaching our trade journals.

W. W. RARESHIDE

SECRETARY

DANIEL J. WALSH'S SONS, INC.

INSURANCE

PHILADELPHIA, PA.

Dear Sir:

In the *Personal Business* section of your Nov. 29, 1952, issue appears a timely suggestion that your subscribers check their own fire insurance in view of inflated values. Those who heed your advice will find themselves less vulnerable to financial loss.

But we believe the article contains one questionable statement, and omits certain useful information. . . .

On page 128 you say ". . . A man with a really top income might be better off with no coverage at all" since uninsured losses may be deducted for income tax purposes. In some cases, this might be true, but often a property owner acting on this assumption could find himself severely penalized. . . .

W. T. BISSELL

ASST. SECRETARY

HARTFORD FIRE INSURANCE CO., INC.

HARTFORD, CONN.

•We made no suggestion that people not insure their houses. We simply cited the fact that in some cases a person might be better off with no coverage. We didn't list all the perils covered by the various endorsements. But that was intentional. We merely wanted to indicate, in a general way, the types of added protection you could get from your agent. It wasn't meant to be a complete breakdown of each and every coverage.

Prefabricating a Courtroom

Dear Sir:

Thanks for telling us in "Giant Jigsaw Puzzle" (BW—Dec. 6 '52, p130) how the excellent wood paneling and furnishings were done in our new District of Columbia Courthouse. For



BOOSTS PRODUCTION PER MAN-HOUR

AN APPLICATION OF KELLER AIR TOOLS

"There has been a noticeable reduction in fatigue, greater worker satisfaction, better labor relations, and increasing production per man-hour."

This was the reply of a duplicating machine manufacturer when asked, "What benefits have you noticed

since you adopted Keller Air Tools in place of hand tools?"

He went on to say that his assembly work requires highly intelligent, skilled workers—men who are willing and eager to increase output.

"They are men who take

great satisfaction from knowing that management is making every effort to provide tools and equipment which will help to make their work easier."

Does it pay? If you have any doubt, reread the first paragraph! Perhaps it will pay you to re-examine your tooling and provide more efficient equipment.



Air Tools engineered to industry

KELLER TOOL COMPANY, GRAND HAVEN, MICH.

AIR MOTORS • AIR HOISTS • AIR HAMMERS • COMPRESSION RIVETERS • GRINDERS • DRILLS • SCREW DRIVERS • NUT SETTERS

Leaders in Oil Drilling and Pumping Equipment Build in **HYATTS**

Today's world production of crude oil runs 12,541,000 barrels daily. Producers of oil have completed 200,000 wells in five years.

Wherever these wells are located, you'll find Hyatt Roller Bearings built into such equipment as drawworks, rotaries, engines, blocks, pumps and pumping units.

Because of constant round-the-clock operation, equipment must be able to do the job without failure. Leading manufacturers of drilling and pumping equipment show a decided preference for Hyatt Roller Bearings... their wear-free and care-free ability reduces friction and cuts costs of operation and maintenance. In all other industrial, agricultural and transportation equipment, builders also depend on Hyatts to do the job better.

Hyatt Bearings
Division, General
Motors Corporation,
Harrison, New Jersey



HYATT ROLLER BEARINGS

those of us who have seen it, there is no question that it is well done. . . .

DONALD M. COUNIHAN

ATTORNEY AT LAW

WASHINGTON, D. C.

Computing the Seaway

Dear Sir:

First of all, we would like to thank you for your mention of the Ferranti electronic computer on page 146 of your issue of Nov. 15, 1952. However, we would like to offer a minor correction to your story. The first machine has been installed and operating in Manchester University for well over a year. The second machine has been operating at Toronto University for some months, and it is this second machine which will be working on the St. Lawrence Seaway.

R. H. DAVIES

GENERAL MANAGER
FERRANTI ELECTRIC, INC.
NEW YORK, N. Y.

Looking Backwards

Dear Sir:

Everyone should have more confidence in the future after reading the history [The Big Change] of the last half century, which was so well written in your Dec. 6, 1952, issue, page 100.

From the days of unrestrained free enterprise to our present mixture of government and business, we have come through to a new way of life in which more people are better off than ever before. Let's hope that Allen [Frederick Lewis Allen, author of The Big Change] is right and that "we have passed socialism."

GEORGE C. RICHARDS
ATLANTIC WOOL COMBING CO.
MANVILLE, R. I.

That Gentle Downtrend

Dear Sir:

Your comments under "No Short Cut" [BW—Dec. 6 '52, p178] "... nobody knows a way to get back to prewar price levels without also going back to prewar levels of production and employment..." would be quite discouraging if it were not for a notation in the same issue on page 70 that about 31% of 600 companies surveyed were now using LIFO (the last-in-first-out method of handling inventory) accounting compared to 19% two years ago.

"LIFO" may not be a shortcut to avoid all unpleasant effects of deflation, but it is in many cases preferable to former accounting methods which wrote up unsold stocks as "profit" and then later wrote them down as losses, thereby increasing the effect of price changes.

This is particularly true in the sole leather industry which suffers from a

Packaging Lesson



—in a piece of cheese



There's nothing harder to package satisfactorily than natural cheese. Once

cut it dries out quickly, crumbles, molds and loses flavor.

Yet today, aged natural cheese is being marketed pre-packaged in $\frac{1}{2}$ and 1 lb. units—fresh, moist, flavorful and free from mold—thanks to PLIOFILM, Goodyear's air-moisture-liquid-proof packaging film.

PLIOFILM protects natural cheese so effectively, seals in moisture so completely, the old-fashioned, wasteful rind is now eliminated, making a more economical, easier to sell, eye-appealing package.

Sure, PLIOFILM's a natural for natural cheese. What can it do for you? Just check these other advantages:

PLIOFILM has dimensional stability, doesn't pucker or shrink. It is hard to tear, split or puncture—won't shatter or run. Because it's so strong and durable, it eliminates repackaging, gives lasting protection. Its sparkling transparency adds luster and sales appeal to the package.

PLIOFILM is adaptable to all types of machine packaging. It also heat-seals readily with hand tools in packaging at store level.

Want to hear more? Fill out the coupon below and we'll mail you—free of charge—a copy of "Plain Facts About Pliofilm"—a booklet that tells you all you want to know about this moistureproof, transparent film.

Pliofilm, a rubber hydrochloride—T.M. The Goodyear Tire & Rubber Co., Akron, Ohio

GOOD THINGS ARE BETTER IN

Pliofilm

3-WAY PROTECTION
AGAINST AIR,
MOISTURE,
LIQUIDS

GOODYEAR
PACKAGING FILM

GOODYEAR, PLIOFILM DEPT.
Akron 16, Ohio

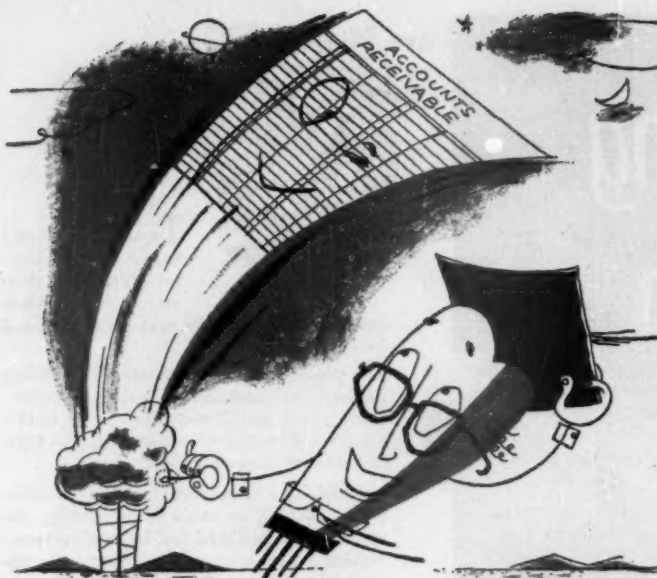
Please send me free copy of "Plain Facts About Pliofilm"

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Address

Firm

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Puts **WHOOSH** in Paperwork!

In the all-electronic offices of the future, the "Flying Typewriter" will do the work of a clerical task force. Developed by the Potter Instrument Company of Great Neck, New York, this revolutionary, high-speed, electronic printer can record 24,000 characters a minute.

Combined with newly developed electronic filing systems, it will keep up-to-the-minute business accounts, run continuous sales records, handle entire payrolls, compute bills, keep running

inventories, schedule production, and handle complete company files.

Such speed and accuracy in a machine requires reliable, rugged, electric components. That's why Ward Leonard VITROHM resistors and relays are used in the "Flying Typewriter".

If you are working on a development as startlingly new as this, or need a dependable electrical control for the most run-of-the-mill applications, let Ward Leonard's engineering department help you select the right one.

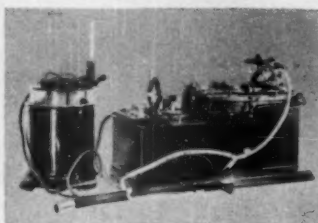
Headlines of 1888

H. WARD LEONARD MEMBER OF THOMAS A. EDISON PERSONAL STAFF

Long before the "Flying Typewriter," the first Edison phonograph used for business dictation created a sensation.

The phonographs were manufactured by the Edison Phonograph Works at West Orange, New Jersey, where H. Ward Leonard was a member of Thomas A. Edison's personal staff.

These machines used a solid, shearable wax cylinder and the recorder and reproducer were separately mounted.



Ward Leonard developments in electrical controls are still setting records today for successful performance in all types of electric systems.

**WARD LEONARD
ELECTRIC COMPANY**

ROBERT W. LEONARD, NEW YORK

Result-Engineered Controls Since 1892



WARD LEONARD
ELECTRIC COMPANY
NEW YORK, N. Y.

combination of large inventories of stock in process and wildly fluctuating raw material costs. Incidentally, sole leather is now back at prewar price levels.

L. M. WHITMORE

LEAS & MCVITT, INC.
SALEM, VA.

Grinding It Finer

Dear Sir:

I read with interest in your Dec. 6, 1952, issue (page 118) an article entitled Grinding Things Smaller. . . .

This letter is to draw your attention to a new jet mill which I have recently constructed and on which patent is pending. This new mill, which is called Jet T-Mill, is the most simply constructed of all the mills as it employs only two jets. . . . This arrangement makes it possible to utilize the jet energy at the maximum of its efficiency. . . .

I am afraid though that your article may scare away many smaller potential users of jet mills by saying that one energy mill with accessories costs between \$30,000 and \$50,000. . . . If you had said \$5,000 to \$50,000 the picture would have been more correct. The mills are in several sizes, according to desired production and type of product. The high cost of installing these mills is because of the expensive auxiliary equipment like air compressors or superheated boilers, which supply the energy.

CONRAD TROST

MOORESTOWN, N. J.

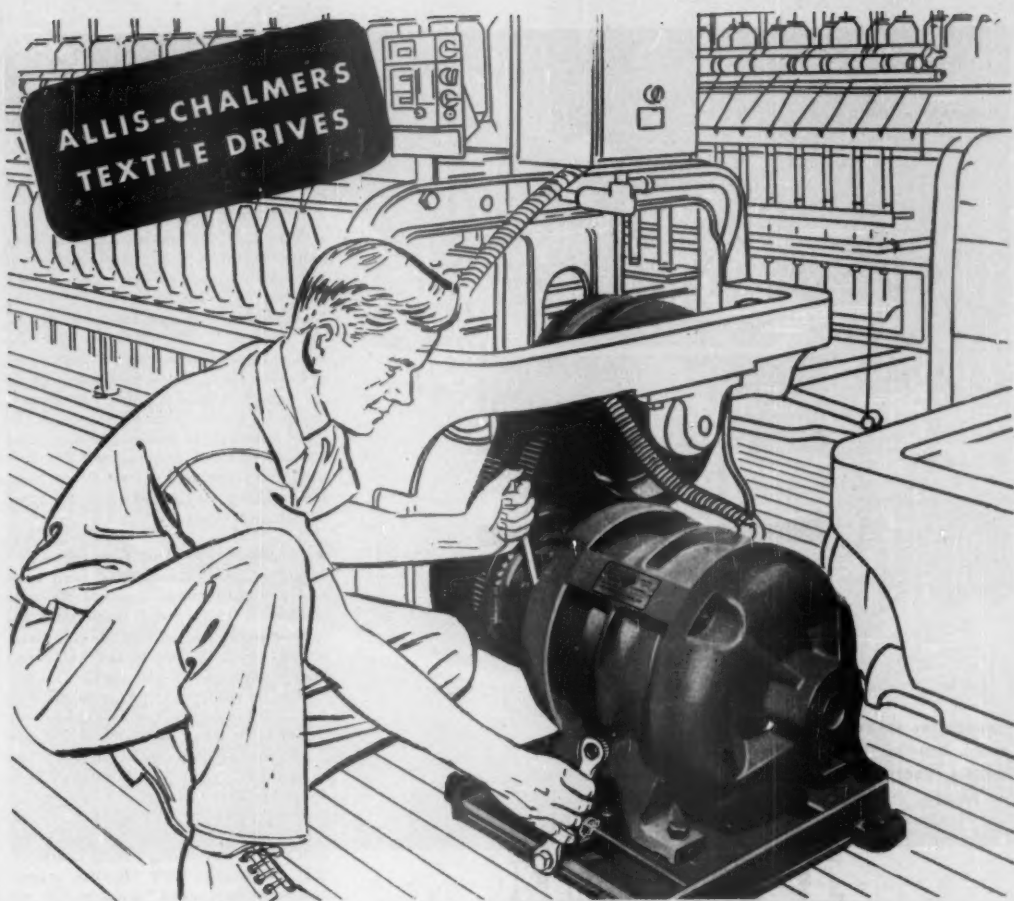
Points Well Taken

Dear Sir:

One could get the wrong impression in reading your article, "Memphis: Clearinghouse for Cotton" [BW—Nov. 15'52, p115]. On page 124 you made the following statement: "He [Bill Jones] also knows that he'll have to pay more for spot cotton than the futures price on the same type and grade . . . so he checks the futures price on the cotton he's interested in—middling 11-in." One might think that the prices for grades and staple lengths of cotton other than middling 11-in. are quoted on the New York futures, which is not the case. The New York futures price is based on middling 11-in. The bases for the various grades and staple lengths of spot cotton are usually quoted as a certain number of points on or off the New York futures price. For this reason, there is a large number of grades and staples of cotton sold on the Memphis market below the price of the New York futures. . . .

THOMAS M. STUBBLEFIELD

EXTENSION ECONOMIST
AGRICULTURAL EXTENSION SERVICE
UNIVERSITY OF ARIZONA
TUCSON, ARIZ.



NEW TWIST IN YARN SPINNING

speeds up change-overs at Avondale Mills

AT ONE TIME changing yarn size in a spinning room was a major headache for textile mill operators. To change spinning speed, they had to change the drive pulley on each of a hundred or more spinning frames.

Today, Allis-Chalmers variable speed drives eliminate the need for this time-consuming, pulley-changing operation. Many mills, like Avondale in Sycamore, Alabama, use wide range *Vari-Pitch* drives, plus

Texslide motor bases. With this equipment they can make accurate adjustment of spinning frame speed in a matter of seconds.

Used with these drives (above) are Allis-Chalmers *Quick-Clean* textile motors that blow themselves clear of lint. This coordinated equipment is another example of how Allis-Chalmers designs and builds equipment that helps industry produce more at lower costs—and so helps give you more for your money.

Vari-Pitch, *Texslide* and *Quick-Clean* are Allis-Chalmers Trademarks.

Allis-Chalmers
Makes Machinery to Help
People Produce More—
Have More—
Enjoy More Leisure Time—
LIVE BETTER!

ALLIS-CHALMERS

GENERAL MACHINERY DIVISION

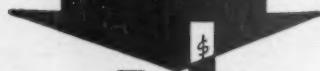


MILWAUKEE, WIS.—PITTSBURGH, PA.—HORWOOD, OHIO—BOSTON, MASS.—TERRE HAUTE, IND.—MONTREAL, P. Q.—ST. THOMAS, ONT.

**14,000,000 PERSONS
SAVE AND RECEIVE
SUBSTANTIAL EARNINGS
ON THEIR SAVINGS**



**MONEY LENT
TO HOME BUYER**



**BORROWERS REPAY
SMALL MONTHLY SUMS
OVER A PRACTICAL TERM
OF YEARS**



**SAVINGS AND LOAN
ASSOCIATION**



**enable American Families
to help themselves
own homes!**



(Advertisement)

■ **Focal Point Within Your City** is a center known as a Savings and Loan Association.* The families of your city and in some 2800 communities throughout the United States are today still joining hands to help one another achieve home ownership . . . and other financial security.

■ **Two Interests Served**—To folks with money to save, a Savings and Loan offers a profitable way to keep that money working . . . without sacrifice of safety. To produce earnings for these savers, the association in turn lends out the funds to qualified persons seeking to buy or build a home. These borrowers return the money in easy monthly installments and pay a modest price for the use of the money. Both saver and borrower are thus enabled to build financial stability into their lives through the sound management of these specialized thrift and home financing institutions.

■ **\$20,000,000,000 And Growing**—Savings and Loan Associations, with combined assets of approximately \$20,000,000,000 in 1952, are a prominent and indispensable part of America's financial system . . . and vital to the free enterprise method of providing homes for our nation. Annually they pay to savers over \$435,000,000 in earnings, consistently a higher yield than provided by investments offering like degree of safety and availability. From their inception in 1831, they have maintained their primary purpose of community service by constantly encouraging thrift and home ownership. It is this distinguishing characteristic that marks their vigorous growth and significant contribution to the national economy, a mid-twentieth century phenomenon.

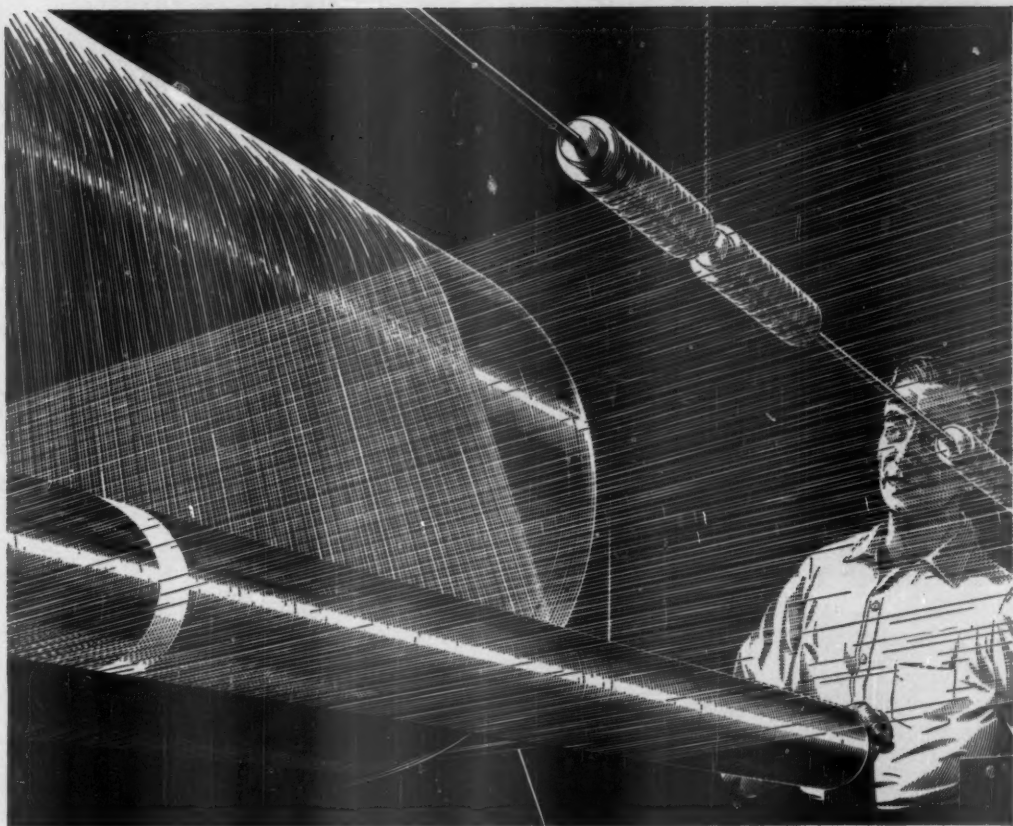
Between 1938 and 1952, Savings and Loan Associations more than tripled their resources and have been the fastest growing financial institutions accepting savings since early in 1948. Today nearly 14,000,000 families save through these community institutions, the total amount constituting about 10% of the nation's savings.

Get acquainted with the Savings and Loan Associations in your community this week . . . it's good business to back the things that help Americans do business the free enterprise way.

• • •

This advertisement is sponsored by the United States Savings and Loan League in behalf of the 4000 member institutions who exhibit our emblem.

*The same general type of institution is also familiarly and legally known as: co-operative bank, building and loan association, homestead association, savings association, building association.



How they control s-t-r-e-t-c-h when preparing yarn for the loom!

To make yarn workable in textile looms it is run through a large machine known as a slasher, wherein it is sized, run over and around a number of drying cylinders and other rollers, and finally wound on the warp beam.

The big problem has been to accurately control tension all through this operation, and thus keep the yarn stretch within desired narrow limits.

This accurate control is now made possible by a WESTON instrument known as a "per-cent stretch indicator." Connected by wires to small tachometer generators driven by the input and output rollers, it continuously keeps the operator informed of the per-cent stretch occurring as the yarn is running through

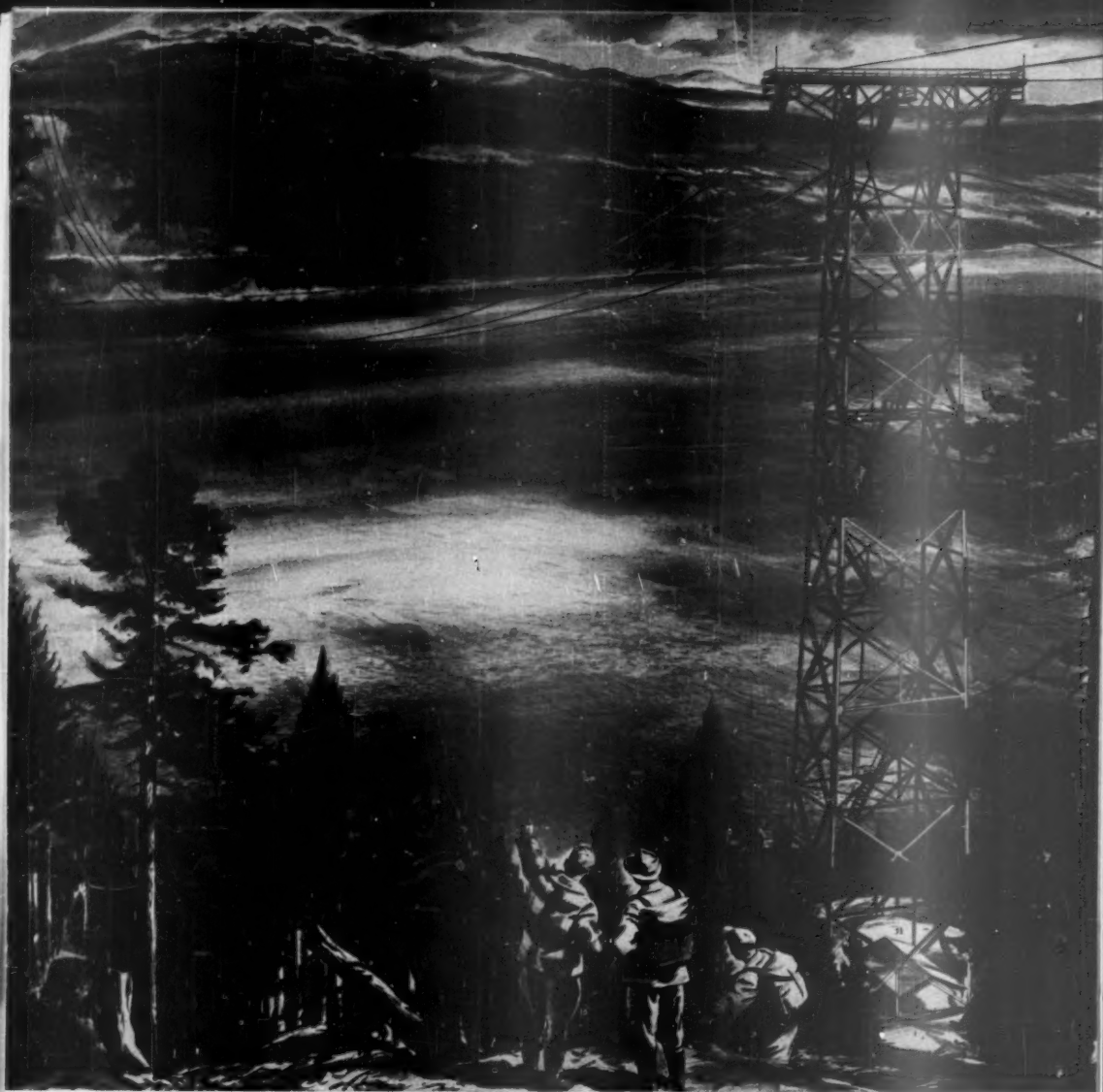
the slasher. With the instrument pointer as a constant guide, correct tension is readily maintained.

Similarly, this unique WESTON Speed-Ratio Tachometer, with indicators calibrated in either "per-cent stretch," or "per-cent shrinkage," is finding wide application in the metal rolling, paper, textile and other industries . . . wherever exact control of shrinkage or elongation is essential.

The same instrument *know-how* that quickly solved this problem of stretch control is available to all industry on problems whether involving speed, light, electricity, temperatures or pressures, *here at instrument headquarters* . . . WESTON Electrical Instrument Corporation, 617 Frelinghuysen Ave., Newark 5, N. J.



WESTON *Instruments* . . . INDICATE — RECORD — CONTROL



LONGEST SPAN IN THE WORLD

IN BRITISH COLUMBIA the longest span in the world has been completed. More than two miles in length, it crosses Lake Kootenay and is part of an electrical transmission line of the Kootenay Light and Power Company.

The span consists of three cables, each an inch and a quarter in diameter. At the west side of the lake, the cables are suspended from three 80-foot towers located on a high bluff. On the lower east shore a single 375-foot tower is used.

The tailor-made cables were designed for high strength and light weight by Roebling. High tensile Roebling steel wires were used because other conductive materials would collapse from their own weight in a two-mile span.

Roebling was outstandingly qualified to meet the requirements of this history-making installation. Through every

manufacturing process, Roebling's steel mills and wire rope plants were backed by the engineering resources of its Electrical Wire and Cable Division and the unparalleled experience of the Roebling staff in the design and construction of suspension bridges.

We are proud that in the Kootenay span we have helped achieve another engineering "first" . . . and that the full range of Roebling wire and wire products is helping industry in the huge emergency production task which it is doing so well. John A. Roebling's Sons Company, Trenton 2, New Jersey.

ROEBLING



BUSINESS OUTLOOK

BUSINESS WEEK

DECEMBER 27, 1952



Don't let any "intermediate business recession" mar your future. There's pie in the sky for those who stick it out (and not just the kind the politicians, over the years, have been promising to pass).

Your business future is closely, and irrevocably, tied up with all those babies that have been born in recent years.

They hold great promise, both as producers and consumers.

Here are the facts: Since World War II the population has gone up by 17-million. By 1960 it is likely to grow that much again. Added up, that would double the rise of the preceding 15 years.

You've been reminded—but it can't be too often—how much the country's population growth means to your business future.

Up to now, you have mainly been feeding and clothing the millions of moppets. They sparked housing demand, too, but how directly and how much, it's difficult to say. Anyhow they've meant a lot to business.

But, in the sixties, they'll get jobs, marry, buy new cars and homes; their earnings will be the bulwarks of future booms.

Providing them with jobs, a decade from now, may take some doing, though.

By the time today's youngsters grow up, the present labor force—big as it is—will be small by comparison.

The Census Bureau has a new study estimating the size and makeup of the labor force all the way out to 1975. Here's how it goes:

By 1975 there will be 88½-million people either at work or looking for jobs. That's fully a third higher than the number now.

From now to 1955, surprisingly few workers will become available; Census figures indicate that retirements will almost cancel out the newcomers.

But between 1955 and 1960, the rise will be 4.3-million; 6-million more will be added by 1965, and still another 6-million by 1970. The rate of gain may ebb from 1970 and 1975—perhaps to 4½-million.

Sociological factors, as well as the mere fact of population growth, will continue to influence labor force trends.

For instance, the Census Bureau expects the percentage of women holding jobs to gain further. The fair sex accounted for 25% of employables in 1940. Now women make up about 30% of the total labor force. By 1975 indications are that this may go to 37½%.

This change, by itself, could contribute 3½-million workers.

Business conditions always take a hand in labor force growth.

Most of the potential workers of the sixties and seventies have been born. How soon they look for jobs is a variable. The easier jobs are to find—the better business is—the sooner they'll show up.

But, if jobs are scarce and unemployment high, they'll be slower.

Can you visualize the size of the economy—and your share of it—in 1975 when the work force has risen to 88-million or 89-million?

Suppose productivity increases about the same as it has, on the average,

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
DECEMBER 27, 1952

over the last few decades. Assume, too, that 7-million are unemployed or in the armed forces. And allow for a 35-hour week.

Business Week's Index, now around 250, would go at least to 500.

Finding jobs for future members of our labor force may look formidable. But it shouldn't be too tough if you agree with some findings by the staff of the congressional Joint Committee on the Economic Report.

The committee's spade workers took an eight-year look. They saw strong and effective demand for goods and services through 1960:

- **Capital equipment**—Our postwar boom is no more than catching up with the growth curve. Based on long-term experience, capital needs will be one-third larger by 1960. Production equipment and nonresidential construction, between 1950 and 1960, should total a staggering \$300-billion.

- **Housing**—The annual need for new homes will be 1.2-million through the fifties. That's a figure reached in only one year—record-breaking 1950 with 1.4-million new dwelling units started. (Starts for 1952 will top 1.1-million.) Home building for the decade: \$100-billion.

- **Schools and hospitals**—The decade's demand will be for facilities worth approximately \$40-billion.

- **Highways**—The need (and the effective demand) is for a 10-year expenditure of \$60-billion to build new roads and repair old ones.

How much money will be spent over the rest of this decade—and whether its flow will be smooth and stable—is by no means certain.

Every businessman is entitled to add his own grain of salt to the "estimated needs." To figure such needs, the statisticians have to arrive at projections based on past performance.

Both the projections and calculated relationships of future years are subject to error—and errors in this kind of figuring tend to balloon.

Today's figures on employment leave little to be desired, whatever the future may hold in store.

Factory workers in November numbered 16½-million, the highest figure since the end of World War II.

Normally, manufacturing employment dips seasonally in November. The rise of about 100,000 from October to November thus indicates that the upsurge in business has not yet spent itself.

Factory employment now is getting within striking distance of the records set during the last war.

The peak then—late in 1943—was 17.2-million workers.

The gain since August amounts to about 500,000 workers. And the increase over a year ago comes to about 600,000.

Christmas sales apparently are coming up to expectations pretty well—except in the Northeast where New York City is the soft spot.

Department store sales, in the second week of December, were 4% ahead of a year ago. That was enough to pull the four weeks to mid-December even with 1951. And the remaining sales days should turn the trick.

Total retail sales, as usual, should top department store figures.

GULF PERIODIC CONSULTATION SERVICE

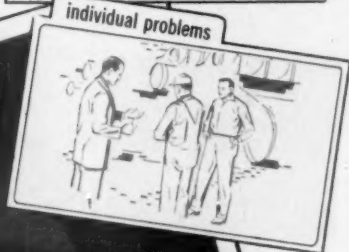
*gives you expert help
on every phase of
Lubrication...*



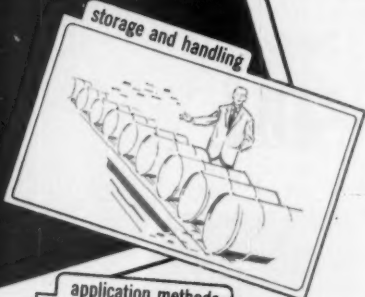
lubrication charts



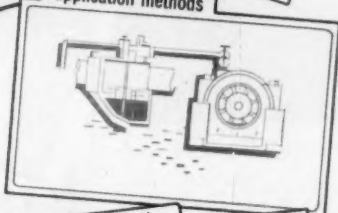
individual problems



storage and handling



application methods



methods of filtration



When you adopt Gulf Periodic Consultation Service, Gulf Sales and Staff Engineers will help you set up the kind of a lubrication program that has been so effective in cutting costs in hundreds of other plants.

Such a program begins with a complete survey of your equipment; then specific recommendations of oils and greases which will improve the efficiency of your lubrication.

In making their recommendations, Gulf Engineers keep in mind the recommendations of equipment manufacturers, operating conditions, and the importance of using the fewest number of lubricants that will provide proper protection.

This is just one phase of the cooperative plan known as Gulf Periodic Consultation Service. Other important phases are listed at the right. For your copy of a booklet which provides additional information, write, wire, or phone your nearest Gulf office today. Gulf Oil Corporation · Gulf Refining Company, Pittsburgh 30, Pennsylvania.



Now-

*facts about 430 Stainless Steel
for manufacturers concerned about
critical materials*



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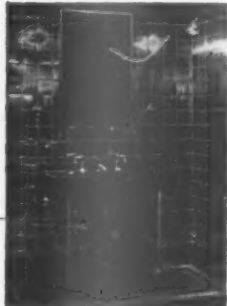
AGRICULTURAL



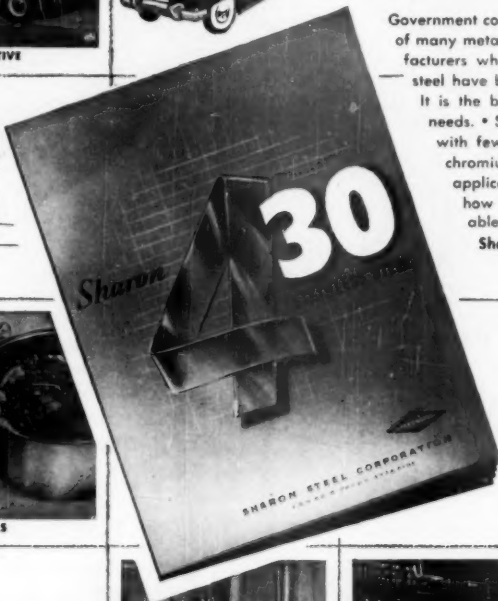
APPLIANCES



SPECIAL



ARCHITECTURAL

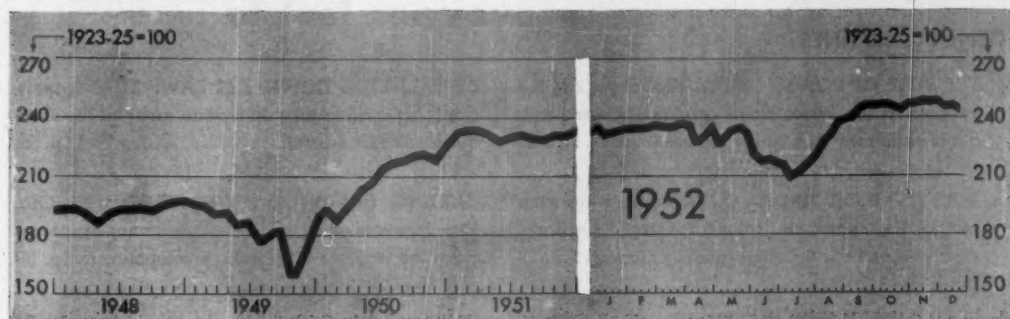


Government controls are pinching the raw material supplies of many metal fabricators. However, many of these manufacturers who are familiar with Sharon "430" stainless steel have been able to quickly adapt it to their needs. It is the best available material for many of today's needs. • Sharon "430" is in good supply and available with few restrictions as to end use. It is a straight chromium stainless steel with hundreds of successful applications. A new booklet with instructions on how to fabricate Sharon "430" stainless is available. Get your copy by writing department 21252, Sharon Steel Corporation, Sharon, Pa

Sharon 430 stainless steel

SHARONSTEEL

FIGURES OF THE WEEK



Business Week Index (above) *248.5 †247.5 250.1 234.9 173.1

PRODUCTION

Steel ingot production (thousands of tons).....	2,141	†2,236	2,203	2,027	1,281
Production of automobiles and trucks.....	136,819	†121,590	129,224	107,186	62,880
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$41,226	\$41,543	\$49,085	\$37,485	\$17,083
Electric power output (millions of kilowatt-hours).....	N.A.	8,140	7,971	7,824	4,238
Crude oil and condensate production (daily av., thousands of bbls.).....	N.A.	6,562	6,663	6,206	4,751
Bituminous coal production (daily average, thousands of tons).....	1,658	1,673	1,803	1,912	1,745

TRADE

Carloadings: manufactures, misc., and L.C.I. (daily av., thousands of cars).....	74	73	78	74	82
Carloadings: all other (daily av., thousands of cars).....	46	47	60	51	53
Department store sales (change from same week of preceding year).....	+4%	+1%	None	-3%	†30%
Business failures (Dun and Bradstreet, number).....	141	157	167	117	217

PRICES

Spot commodities, daily index (Moody's Dec. 31, 1931 = 100).....	403.4	402.5	405.6	461.1	311.9
Industrial raw materials, daily index (U. S. BLS, 1947-49 = 100).....	93.0	93.8	94.9	119.2	††73.2
Foodstuffs, daily index (U. S. BLS, 1947-49 = 100).....	84.7	84.7	85.9	96.2	††75.4
Finished steel, index (U. S. BLS, 1947-49 = 100).....	130.6	130.6	130.5	124.9	††76.4
Scrap steel composite (Iron Age, ton).....	\$42.00	\$42.00	\$42.00	\$42.00	\$20.27
Copper (electrolytic, Connecticut Valley, lb.).....	24.500¢	24.500¢	24.500¢	24.500¢	14.045¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	N.A.	\$2.48	\$2.48	\$2.54	\$1.97
Cotton, daily price (middling, ten designated markets, lb.).....	32.62¢	32.85¢	34.31¢	41.94¢	30.56¢
Wool tops (Boston, lb.).....	#	#	\$2.00	\$2.25	\$1.51

FINANCE

90 stocks, price index (Standard & Poor's).....	208.1	206.7	201.5	186.8	135.7
Medium grade corporate bond yield (Baa issues, Moody's).....	3.50%	3.50%	3.53%	3.62%	3.05%
Prime commercial paper, 4- to 6-months, N. Y. City (prevailing rate).....	2½-2¾%	2½-2¾%	2½-2¾%	2½%	3-1½%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	N.A.	55,127	53,219	54,822	††45,210
Total loans and investments, reporting member banks.....	N.A.	78,353	77,110	74,842	††71,147
Commercial and agricultural loans, reporting member banks.....	N.A.	23,136	22,862	21,442	††9,221
U. S. gov't guaranteed obligations held, reporting member banks.....	N.A.	32,819	31,859	32,577	††49,200
Total federal reserve credit outstanding.....	27,039	26,860	26,193	25,745	23,883

MONTHLY FIGURES OF THE WEEK

		Latest Month	Preceding Month	Year Ago	1946 Average
Exports (in millions).....	October	\$1,191	\$1,219	\$1,152	\$811
Imports (in millions).....	October	\$918	\$877	\$834	\$412
Wholesale prices (U. S. BLS, 1947-49 = 100).....	November	110.7	111.1	113.6	78.7

N.A. Not available at press time.
 * Preliminary, week ended Dec. 20.
 †† Estimate

Insufficient trading to establish a price.

† Revised.

§ Date for "Latest Week" on each series on request.

in BUSINESS this WEEK...

GENERAL BUSINESS:

THE SEAT OF POWER SHIFTS. Goodbyes are the keynote at the White House as Eisenhower headquarters buzzes with plans for the future. . . . p. 25

WILL TV PUSH RADIO OUT? Video's growing bite of the sponsor's budget has radio networks worried—and may change radio's character. . . . p. 27

PLANES HEAD NEW WANT LIST. p. 28

STILL LAYING DOWN THE LAW. The Supreme Court is slated to take on a wide array of business questions this session. p. 29

GETTING READY TO DRILL TIDELANDS OIL. Eisenhower is expected to clear up ownership issue, pave the way for Tidelands development. . . . p. 30

Business Briefs p. 34

BUSINESS ABROAD:

SUBSIDIARIES THAT SLASH YOUR TAXES. Western Hemisphere trade corporations to handle foreign trade pay off for U.S. firms. p. 66

STEEL STRIDES are on the way in India now that financial bottlenecks in expansion plans have been broken. p. 68

Business Abroad Briefs. p. 70

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operating policies and civil service red tape. p. 90

MARKETING:

CIGARETTE SALES: THE KINGS SHOOT UP. They're progressing at a rate that may change the long-standing smoking pattern. p. 41

THE MARKETING PATTERN: Soaring Costs Shape TV's Future. p. 46

Marketing Briefs p. 48

FINANCE and MARKETS:

REACHING FOR HIGHER YIELDS. Insurance industry, now top investor, edges away from government securities to bonds. p. 53

STILL GROWING. New York's Bankers Trust absorbs Bayside National, adding to its Queens branches. . . . p. 56

Finance Briefs p. 57

THE MARKETS: BIGGEST YEAR SINCE 1929. The 1952 crop of new corporate issues is second largest in history, meaning prosperity for the underwriters. p. 58

LABOR:

NEW INDEX SHAKES ESCALATOR. With new setup, BLS figures will change more slowly, and holders of

GM-type contracts will want adjustments. p. 74

THE OPEN STORE may run into labor trouble, with unions pressing for premium pay. p. 78

GARAGE DRIVE looms as unions seek new areas for expansion. But machinists are stalemated in their Spokane campaign. p. 79

Labor Briefs p. 80

MANAGEMENT:

A LAWYER TURNS BUSINESSMAN —AND THRIVES. Joseph A. Patrick says a management man today needs legal training (cover). p. 86

Management Briefs p. 89

BUSINESSMEN DUCK jobs in Washington because they balk at hazy

NEW PRODUCTS: p. 98

New Products Briefs. p. 99

PRODUCTION:

BORON STEEL: NOW THEY LIKE IT. It already accounts for about 9% of alloy steel production, could jump to 60%. p. 92

INVENTORS GET TO STRUT THEIR STUFF ON TV. DuMont's new show gives inventors a chance to push their ideas. p. 94

IN THE GREASE. Lithium-based, multipurpose lubricants go a long way toward curing the curse of too many types and brands. p. 96

Production Briefs p. 97

with Sperry Loran
"Seatrain" save 40 to 60 barrels
of fuel per voyage

First Mate Owen McCann, Jr., of the Seatrain Louisiana operating Sperry Loran. He enthusiastically describes it as "a great improvement in navigation."



NOW AVAILABLE—Sperry Loran—Mark 2 Model 2—with circuit and mechanical improvements providing increased electrical stability and reducing maintenance requirements.

Keeping "Seatrains" on the track of maximum velocity of the Gulf Stream means economy of both fuel and time.

Thanks to Sperry Loran it was possible recently for the Hydrographic Office to chart the Gulf Stream's velocity so that tankers and other vessels can now use both Loran and these charts to take advantage of strong Gulf Stream currents.

Loran navigation provides the best possible means of locating the axis of maximum velocity of the Stream, for the ship's position can be determined easily every hour or oftener. Hence, heading changes can be made as frequently as necessary.

Pin-pointing a vessel's position quickly and easily with Loran has proved invaluable to ships of the U. S. Army, Navy and Coast Guard, tankers, merchant vessels, fishing craft and yachts.

Behind Sperry Loran is the well-known Sperry Service. Our nearest district office will be glad to supply further information.

SPERRY **GYROSCOPE COMPANY**
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You can...

Lift unit output Lower unit costs

with the help of superior Texaco lubricants
recommended by skilled Texaco Lubrication Engineers

Here's a striking example: Moran Towing & Transportation Company's great Diesel fleet is lubricated 100% with *Texaco Ursa Oils*. For more than 40 years *Texaco* has been lubricating *Moran* vessels.

Recently — in the first Port of New York Tugboat races ever held, the "Pauline L. Moran" captured first place for Moran Towing & Transportation Company in contest between vessels rated 850 to 1250 h.p. In fact 5 out of the 6 first and second places went to *Texaco*-Lubricated vessels.

THE TOUGH JOBS GO TO TEXACO. Here are a few more outstanding examples where *Texaco* is preferred.

MORE

buses
revenue airline miles
stationary Diesel horsepower
railroad locomotives

in the United States are lubricated with *Texaco* than with any other brand.

ONE PURCHASE AGREEMENT PLAN brings you skilled engineering service that helps lift unit output and lower unit costs. For details call the nearest of more than 2000 *Texaco* Distributing Plants in the 48 states, or write The Texas Company, 135 E. 42nd St., New York 17, New York.



"Pauline L. Moran" captures first place for Moran Towing & Transportation Co. in contest between vessels rated from 850 to 1250 h.p.

THE TOUGH JOBS GO TO TEXACO
TEXACO
INDUSTRIAL LUBRICANTS





GOODBYES were the keynote of White House callers as . . . THE FUTURE was greeted at Eisenhower headquarters.

The Seat of Power Shifts

This week in the White House, Harry Truman saw a lot of people who wanted to say goodbye and talk about the past.

In New York, on the sixth floor of the Commodore Hotel, along the 42nd Street side, Dwight Eisenhower saw a lot of people, too. But these people wanted to talk about the future.

For the first time in 20 years, political power already had passed from one party to another. The White House, in the nation's capital, had become hardly more than a mausoleum of old loyalties.

• **Prefab**—The real White House is in the Commodore. A prefabricated model, ready to be knocked down and moved to Washington on Inauguration Day, it is the real center of U.S. government.

The answer to the Korean war is there. So is the answer to price and wage controls, to a balanced or unbalanced budget, to tax cuts—all the unfinished business of the American people.

It's still a shadow government—a White House staff in mock-up. It operates behind only one sure sign of presidential office—24-hour-a-day Secret Service security.

It has many of the earmarks still of a campaign headquarters, from crowded

foyer to popping flashbulbs. Only the big pictures and banners are missing from the scene.

• **Quiet Interlude**—When the boss was gone to Korea, it was quiet, hardworking—tensely bracing for a round of strange, new jobs. When he came back, it took on some of the carnival, big-deal air that is the hallmark of top-level politics. The quiet work of the future Eisenhower White House staff went on just the same.

I. Something New

This government-in-embryo is something new. No President-elect ever worked so hard to field a full White House team before inauguration.

When Franklin Roosevelt took over, he put Raymond Moley and a few early brain trusters to work in a hotel writing memorandums—cooking up ideas. For the rest, he could count on his Albany staff and on his own long experience in politics for a running start on Inauguration Day. Also, FDR had four months from Election Day until the inauguration.

Eisenhower—the political neophyte—had a bigger, tougher job, and only two-and-a-half months to do it.

• **From Scratch**—He had to start from scratch with practically every sort of

problem that could confront a President-elect—from what to do with a war, to what to do about three cakes that spelled out I-K-E. His trip to Korea is history. The cakes went to Mamie at Morningside Heights.

To help handle this load, Eisenhower began with largely a pickup staff. He has a general's confidence in good staff work, and by the habit of a lifetime, depends on staff. But he won a nomination and then an election with a staff very largely thrust on him. The one now taking form in the Commodore is his own—his first in civilian life.

The patched-together campaign team worked smoothly, by and large. A few faces have dropped out of sight—some after the nomination was won, some after the election. But the changes were surprisingly few, largely because there is no reason to shake up a winning combination.

• **Extra Fast**—Once the votes were counted, Eisenhower moved swiftly to build around his hastily recruited campaign squad a smooth White House team that would answer surely to his signals.

He moved so fast that some Republican members of Congress are alarmed. They think he should have slowed down long enough to consult with

them about appointments. They would like to know what he wants them to do about such issues as budget balancing, taxes, and price-wage controls.

But Eisenhower put staff-building first, at both Cabinet and White House levels. His aids think the payoff will come in a hard-hitting start, Jan. 20. The men at his side are having a chance to practice for the Presidency, along with Eisenhower himself. They want their duties clearly grooved by the time the big move is made to Washington.

II. Security Is First

Training at the Commodore starts with security. Nobody is supposed to tell casual visitors exactly where Eisenhower's office is located, for one thing.

The office layout is in the form of a foreshortened "T." Page girls and a Secret Service desk, just outside the elevators at the beginning of the short stem of the T, keep job seekers and well wishers from wandering into the main working area. This is on both sides of the long corridor forming the head of the T.

Just one elevator is inside the low railing—for staff workers coming in, and for bigwigs wanting to make a quick departure. It will bring only staff members up from the lobby.

The only offices outside the railing, and therefore outside secret service scrutiny, are those that house a correspondence unit that is struggling manfully under a load of congratulatory messages.

- **Handling Gifts**—Other correspondence—including the steady flow of gifts—is handled in the main work section. Gifts of value are returned to the sender. Those of sentimental value are acknowledged and disposed of by a staff of four harried girls. Ronald Strachle, Denver attorney who joined Eisenhower's headquarters when it was located there after the nomination, supervises this unit.

- **The Boss**—Eisenhower's office is toward one end of the long corridor.

Chief of staff Sherman Adams is close at hand, along with Arthur Vandenberg, Jr., who will be White House secretary. Further down the hall, Vandenberg has a working office, where his correspondence is handled.

Thomas E. Stephens, who will get the job of White House counsel, is also near the Eisenhower end of the corridor. With no routine government duties yet, this experienced New York politician and aid to Governor Thomas E. Dewey, is seeing a lot of key people in the party. Stephens was the appointments secretary during the campaign—a job which in the White House will fall to Vandenberg.

Abbott Washburn, a public relations

man who left his job with General Mills to go with Gen. Lucius Clay's Crusade for Freedom, and then joined the Citizens for Eisenhower staff, screens requests for statements by Eisenhower on every conceivable subject. Washburn has no publicly announced White House niche as yet.

- **Minority Views**—Farther down the corridor, Maxwell M. Rabb, designated as assistant to Sherman Adams, has moved in. He has no stated assignment; his main effort will be to channel the views of minority groups to Eisenhower—something like the job of David Niles under Roosevelt and Truman.

Max Rabb is a long-time active supporter of lame duck Sen. Henry Cabot Lodge of Massachusetts, Eisenhower's choice to succeed Sen. Warren Austin as head of the U.S. delegation in the United Nations.

The day-to-day business management of the headquarters is under the eye of James Lambie, a Crusade for Freedom veteran. Lambie is not the business manager type, staffers say, though he's doing a good job on a temporary assignment.

III. Filtering Economics

At the opposite end of the corridor from Eisenhower, Dr. Gabriel Hauge occupies a suite along with his aid, Steve Benedict. Hauge's White House job will be something new. He will receive economic information of day to day importance from the executive departments, the administrative agencies, and from congressional committees. He will be the conduit for passing this information to Eisenhower—an assignment of unprecedented importance for an administrative assistant to the President, his former title.

Hauge is the former editor of the *Trend* for BUSINESS WEEK.

Emmet J. Hughes, another administrative assistant, will write speeches and reports in the White House. The former *Life* magazine editor left his Commodore office to make the Korean trip with Eisenhower, in preparation for the inaugural address.

James C. Hagerty, Dewey man who is Eisenhower's press secretary, has an office along the short stem of the T.

- **Patronage**—Several key offices in the Commodore won't have direct counterparts in the White House. One is occupied by Herbert Brownell, Eisenhower choice for Attorney General, and his chief patronage adviser. B. T. Mattingly is working with Brownell on patronage.

Congressmen Hugh Scott of Pennsylvania and Clifford P. Case of New Jersey have another Commodore office which will be disbanded on moving day.

Ostensibly, they are raising money to keep the junior White House going—they need \$150,000 for expenses up to Inauguration Day. Nobody takes this assignment very seriously. A winning party shouldn't have too much trouble picking up the necessary chips. Scott and Case are also working on congressional liaison—preparing lists of lawmakers who can be counted on to support Eisenhower's foreign and domestic programs.

On the seventh floor, John Foster Dulles has an office, with a small staff. It is working chiefly on personnel for the State Dept., which Dulles will take over as secretary.

IV. High Policy Elsewhere

With the exception of Hauge—who as a matter of routine has to deal with issues like wage and price controls—no one of the Commodore staff is concentrating particularly on top-level policy formulation.

Policy is taking shape elsewhere, under the broad guidance of Eisenhower, his Cabinet selections, and other key appointees like Lodge for the U.N. and Harold Stassen for the Mutual Security Administration.

Stassen has no office at the Commodore, though he is in and out. A desk has been prepared for him in MSA in Washington, where he will be able to familiarize himself with masses of classified material in preparing for take-over day.

Lodge, too, is in Washington most of the time, as Eisenhower's advance man, working in the executive departments.

- **Budget**—Joseph M. Dodge, Eisenhower's budget bird dog, has his office in Washington. He has worked hard with Budget Bureau technicians, interrupting this job only to attend the Pacific conferences. He'll have a say when it comes to working out spending policy.

Oveta Culp Hobby, Eisenhower's pick for Federal Security Administrator, is doing another policy job outside the Commodore setup. Her assignment: to bring in a health program that will be adopted by Congress (BW—Dec. 20 '52, p. 27).

A task force, largely outside the Commodore, is at work on policy suggestions in the field of labor and civil rights.

Eisenhower's government reorganization committee, headed by Nelson Rockefeller, does not work out of the Commodore, either.

What he has there is largely an operations staff that he is counting on to bring the tangled threads of policy and patronage and every-day White House routine into a clear pattern by Inauguration Day.



TV'S BITE is so big—\$40,000 a week for My Friend Irma—networks wonder . . .

Will TV Push Radio Out?

The biggest thing wrong with network radio these days is the high cost of television.

Network TV shows are so expensive that advertisers compensate by lopping other media off their schedules (page 46). And the medium that takes the licking usually turns out to be radio. Magazines and newspapers have also suffered, but network radio has been the only medium to suffer on a large scale.

• **Room for All?**—The latest figures, just issued by Publishers Information Bureau, show that radio network time sales for the first 10 months of the year came to about \$132-million, as against \$146-million during the same 1951 period. Meanwhile, TV network revenue climbed from about \$100-million to \$143-million. This is the fourth year running in which network radio has lost business to TV.

The classic argument in the advertising profession is that television isn't going to run radio out of business any more than radio ran other media out of business in the 1930s. There's room for all, particularly in an expanding, competitive economy.

Up to this point the argument is perfectly sound. Radio is far from dying. Indeed, thanks to local station revenue, the radio industry as a whole has been making out quite well. In 1951 the national and regional spot business plus

the local business garnered by local stations more than made up in volume for the nets' losses (BW—Feb. 18'52, p152).

• **On the Skids**—Nevertheless, radio is changing, and the rate of change will speed up as new TV stations go on the air this year. Here's what will happen in 1953:

• The dimensions of radio will continue to shrink—permanently. Network radio people, who once dealt with audiences of 10-million to 15-million people, now look on 3-million to 5-million as big audiences.

• Listening habits will go on shifting. People do still listen to radio during the day; TV is having a tough time cracking the housewife's daytime habits. It's nighttime network radio that has taken the shellacking from television. As a result, the networks are getting interested in time segments that used to leave them cold: the early morning hours (6 a.m. to 9 a.m.), when people are getting dressed and having breakfast, and the early evening hours (6 p.m. to 8 p.m.), when people are eating.

• Rates will change. TV's inroads have thrown radio's traditional rate structure out of whack. At one time daytime rates were always 50% of the nighttime rates. But the new situation has driven nighttime rates down while daytime rates have held their prevideo level (BW—Aug. 23'52, p62). One net-

work official figures the ratio at 78% now and looks for the gap to close entirely before the process has ended.

• While network radio nighttime and daytime rates are leveling off, TV rates are going the other way. Network people confidently look for the gap between nighttime and daytime TV rates to widen. They were set at the traditional ratio—daytime 50% of nighttime. But network people expect daytime rates to drift to only 40% of nighttime rates.

• Radio networks will be facing a crisis. The strength of TV during the lucrative 7 p.m. to 10 p.m. period sets the stage for it. The nature of the crisis is essentially simple: How can the radio nets make money if they can't sell their evening time or can't sell it profitably?

• **Local Support**—One theory is that the networks will eventually have to cut back on their hours of programming in order to cut their losses. One segment of the trade thinks that eventually the networks will have to charge for the now-free sustaining shows they deliver to the affiliated stations.

The networks deny that this will ever come to this pass. But if it should happen, it will give radio a jet-assisted push in a direction it's already going—toward the dominance of local radio business.

The local aspect of radio is becoming more and more important. The chief appeal of network affiliation has always been prestige as far as individual stations are concerned. They make less money on network business than on spot business placed directly with them. As network programming deteriorates, the local stations will build their own audiences rather than lean so heavily on the nets.

• **Tempo Changes**—As this suggests, another change is under way in radio: There is a slow revolution in programming going on. The nets are going in for more and better music. Listeners note more and more of the kind of program that WNEW in New York pioneered years ago—the informal disk jockey whose program stretches over several hours. Also, there is a new accent on news programs. There is a wider use of recorded interviews, more broadcasting of local events.

Some people feel that this ferment will eventually lead to improved radio programs. At the same time, there will undoubtedly be an increase in transcribed programs on a spot basis. This question will occur to more and more advertisers: Why pay for expensive AT&T line charges when you can simply mail out some disks?

One more sobering thought: There may be too many radio and TV networks for the size of the market. Some trade observers feel somebody will be forced to the wall some day.



REPUBLIC'S new F-84F is a hot item in new defense buying program, because . . .

Planes Head New Want List

Some big changes are brewing in defense buying. This month military buyers decided they have enough small arms and equipment on order for quite a while.

Now the procurement push will concentrate on long-range needs—such as planes, aircraft engines, ships. There'll be some cutbacks, along with major shifts to newer models, but from here on out most of the money will go to major weapons.

That doesn't mean the services won't buy any more tanks, trucks, automobile

equipment, and small arms. They have carry-over funds of close to \$60-billion, plus a smaller portion of new appropriations for fiscal year 1954, to keep that production running for a couple of years away.

But weapons that have kept pace with or even passed the schedules that were set for the past year are in for a close shave.

Here's the outlook on some of the major weapons now; programs the military procurement planners are shaping up:

I. Tanks

Tank production is going to be trimmed. Despite bugs, output over the past year has been good, and battle losses have been far below expectations. A big chunk of NATO requirements will be filled from British production of the Centurion. So rather than accumulate war reserves at too rapid a rate, some U.S. lines will be put on standby a year or so from now; the others will slow down. These are some of the major changes in store.

• **Slacking Off**—The army's slowdown on the T-48 Patton and the windup of the M-47 tank program announced earlier this month will take effect next year. By the end of 1953, two tank plants will be turning out the Patton medium tank—Chrysler's Newark, Del., plant and the General Motors works at Flint, Mich. The American Locomotive plant at Schenectady and the Detroit Tank Arsenal will quit producing medium tanks by the end of next year. Ford Motor Co. at Livonia, Mich., will wind up its Patton production at the same time.

Heavy tanks are still very much in the experimental stage. Chances are they will never get into volume production unless all-out war comes. Light tank production is already being slowed down: Inventories have been piling up at operations like Cadillac's Cleveland plant.

II. Aircraft

U.S. aircraft production is running at about 98% of output schedules set last spring. Present plans call for production of about 28,000 planes both military and civilian, over the next three years. The Air Force will get about 21,000 of these, the navy about 6,000. The rest will be civilian transport planes.

• **The Peak**—Roswell L. Gilpatric, Undersecretary of the Air Force, figures that plane output will hit the peak early in February. Air Force production is fairly close to the peak right now. During November, industry delivered about 670 planes to the air force. That output will rise to about 750 planes in January, then level at somewhere around 800 planes per month by February. Production for the Air Force will roll along at that rate through 1954, and then drop off gradually to a replacement level.

Judging by past patterns, Navy and NATO takes should up that total to around 1,100 planes per month by February, with an anticipated goal of about 3,000 engines per month at least by early spring.

• **Air Force Changes**—Even though plane production is sailing along, some major changes are in the wind. Air Force and Navy plane buyers are getting around to adopting some of the

recommendations in Defense Production Administration's Campbell report on aircraft production, out earlier this year (BW-Oct. 4 '52, p. 34).

Most dramatic of all these changes is the phasing out (Pentagonese for stopping) of all B-36 production by 1954. This is part of an over-all defense policy to stop turning out planes that are rapidly being outmoded. Convair will switch to producing multi-jet supersonic bombers.

• **Unobtrusive**—Junking the giant intercontinental bomber got a big publicity splash. But a lot of other changes, equally important, have been going on quietly behind the scenes. Last month the Air Force quietly rejiggered its procurement program to channel funds into newer plane and engine types. Tops among these was a planned \$15-million correction in the design of the F-89 Northrop Scorpion nightfighter, and a cutback of Scorpion total production. Originally this plane was expected to be turned out through 1958, but now the contract will end some time in 1955.

All Air Force Scorpions have been grounded since September when a series of crashes showed up faulty wing-root fittings. Northrup is modifying the planes now at its Hawthorne and Ontario, Cal., plants.

Another Air Force plane order that got cut back this month was the Lockheed F-94C Starfire, a rocket-firing, all-weather interceptor. Allison's J-35 axial-flow jet engine and its J-33 centrifugal turbojet were also shaved, as well as Pratt & Whitney's J-48 turbojet and its piston-engine R-2800.

• **Navy Shifts**—Navy aircraft buying has been changing, too. The Navy has ordered nearly a 20% slash in Grumman's F9F-6, a sweptwing version of the Cougar jet fighter. Some production of the F9F-7, a modified Cougar equipped with the souped-up Allison J-33 turbojet engine, will continue.

Another Navy jet fighter, North American's FJ-2, got a one-third cut. It's the carrier-based version of the F-86 Sabrejet.

Douglas production of the Skyraider AD-5, a piston-engine, carrier-based attack plane, was shaved 13%. The Navy wants to get more of the A2D Skyraiders, a gas-turbine, propeller-driven attack bomber.

Most of these cuts will be offset either by pushing newer-type planes already in production or by starting up completely new models. Here are some of the newer types aviation experts expect to see big orders for: Douglas RF-66, a twin-jet sweptwing bomber which the Navy has designated as the A3D-1; Convair's delta-wing F-102; North American's F-100; and Chance Vought's Cutlass, a radically designed Navy fighter.

Still Laying Down the Law

● Supreme Court is slated to take on a wide array of business questions this session.

● Already on the docket are important antitrust and price-fixing cases.

● And a Taft-Hartley dispute rivaling the steel seizure fight is taking shape.

The presidency will change hands next month; so will control of Congress. But there will be no new faces in the third major branch of the government—the U. S. Supreme Court. For an indefinite period in the future, the nine justices, or at least a majority of them, will be Democratic appointees.

• **Current Term**—In its present term, the Supreme Court is slated to make a score or more decisions on such matters as antitrust violations, rulings of federal agencies, and labor law.

So far, none of the cases on the docket is as revolutionary as last year's steel seizure fight. But a situation similar to the one that unexpectedly led to the steel case is shaping up right now between the CIO and the government over use of the Taft-Hartley 80-day injunction against a strike at American Locomotive Co.'s Dunkirk, N. Y., plant. The plant produces nickel piping for atom plants.

The CIO has already announced that it will try to bypass intermediate courts, as was done in the steel case, and test the constitutionality of the injunction in the Supreme Court. This could be 1953's biggest Supreme Court case.

• **Settled**—Meanwhile, the court is already grinding out decisions and orders important to some businesses. Among them are these:

• Under the Sherman act, treble damages may be collected from a company which brings a patent infringement suit to protect a monopoly.

• The Federal Power Commission, in granting a new license, can require a private power company to connect its lines to a government power project, and to carry government power.

• A company cannot deduct as business expenses its contributions to a lobby against co-ops.

• The Securities & Exchange Commission can discipline a broker by expelling him from a registered securities association for undue switching operations in customers' accounts.

• State laws requiring interstate motor carriers to have a state permit to use state highways are not a violation of interstate commerce.

• **Antitrust Question**—Of the cases coming up, the antitrust and price-fixing

disputes probably have the broadest impact.

Both the government and the Times-Picayune Publishing Co., of New Orleans, are appealing an antitrust decision of a Louisiana district court. The court found the publishing company guilty of violating the Sherman act by rigging advertising terms and rates for its morning and afternoon newspapers in such a way as to keep advertisers from buying space in its competitor.

Times-Picayune pleads not guilty. The government, on the other hand, wants a tougher decision. At stake is the legality of combination ad rates of publishers who own two papers in a town and sell space in the papers as a unit. It's estimated that 180 publishers are involved.

• **Price-Fixing**—Several important questions involving prosecution under the Robinson-Patman price-fixing law may be answered by the Minneapolis-Honeywell Regulator Co. case. A lower court held that the Federal Trade Commission didn't prove that Honeywell's quantity discount system "substantially injured competition."

FTC says this ruling violates the decision of the Supreme Court in the famous Morton Salt Co. case, that only a "reasonable possibility" of injury must be proved by FTC. The commission ordered Honeywell to end its discount system on the ground that customer demand for Honeywell controls in new oil burners impels most manufacturers to buy from Honeywell. The advantage afforded favored Honeywell customers who secure the largest discounts necessarily affects competition among the manufacturers, says the commission.

Also at issue in the case is whether the court had the right to consider a dissenting opinion to FTC's order. If the high court upholds the lower court view, the finality of an FTC order would be restricted.

Another price-fixing case will decide the question of whether a buyer who knowingly took advantage of an allegedly discriminatory price must be prepared to prove the price he paid was nondiscriminatory. A lower court said yes, supporting FTC.

• **Power Problem**—A big power case

soon to be decided involves the construction of a \$27-million hydroelectric plant near Roanoke Rapids, N. C. Secretary of Interior Oscar Chapman and the Virginia Rural Electrification Administration claim the license granted by the Federal Power Commission to the Virginia Electric & Power Co. for construction of the project is invalid.

Chapman and FPC have been feuding over the question of whether private or government enterprise ought to construct the project. Chapman and the Virginia REA contend the Flood Control Act of 1944 took over for the government all Roanoke power construction, thus withdrawing the project from the licensing jurisdiction of FPC. A Baltimore circuit court ruled against Chapman.

• **Featherbedding**—In the labor field the most important question now before the court for decision is: Exactly what is covered by the "services not performed" clause in the Taft-Hartley featherbedding ban? Two cases center on the issue.

One is an appeal by the American Newspaper Publishers Assn. from holdings by the National Labor Relations Board and lower federal courts that the "bogus" type-setting practice of the AFL International Typographical Union is not a featherbedding violation. The union requires that all ads be duplicated by union typesetters, even if the ad supplied a publisher is in matrix or plate form, thus requiring little or no typesetting.

The other case is being appealed by the Akron (Ohio) local of the American Federation of Musicians. The union insists that any employer who hires an outside "name" band must also employ local musicians on a standby basis. Gamble Enterprises refused to comply and won a federal court decision.

• **Full Load**—In other cases, the court will decide: the constitutionality of the recently enacted tax on bookmakers; whether FTC can limit exclusive screening agreements of a motion picture advertising company to terms of one year; the constitutionality of Illinois' highway use tax; whether the Interstate Commerce Commission can increase intrastate freight rates to enable rail carriers to make up losses on passenger traffic, and whether it will hold hearings or appoint a special master to get the facts in the 25-year-old dispute between California and Arizona over water rights to the lower Colorado River.

The court will also have to reconsider its venerable doctrine that "separate but equal" schools provided for white and colored grade school children do not violate the 14th Amendment. It has heard arguments in five cases challenging the doctrine from Kansas, South Carolina, Virginia, Delaware, and the District of Columbia.



HEADQUARTERS for marine oil operations is the drilling platform. It houses crew, equipment, and supplies. Oilmen find that . . .

Getting Ready to Drill

Off the shores of Texas, Louisiana, and California, where the Continental Shelf slopes down into deep water, there are vast reservoirs of oil. These rich tidelands have become a source of frustration for almost every major oil company in the U.S.

The elimination of that frustration may well be the most concrete and immediate business effect of the change of administration next month.

• **Still Underwater**—Oilmen have explored the submerged land, mapped it extensively. Many of them know exactly where they want to drill and exactly how they'll go about it. Millions of dollars' worth of offshore

drilling equipment has been ready and waiting for years. But most of the oil is still underwater.

The reason is simply that no one has ever been sure whether the tidelands belong to the federal government or the states. Debate on the subject has bumped along inconclusively for some 15 years. Oil companies, during all that time, have never been sure whom to deal with for leases or drilling rights.

• **Settlement**—Now, finally, it looks as though this 15-year stalemate is coming to an end. President-elect Eisenhower promised during his campaign that he'd try to establish tideland ownership for the states. Neither oilmen nor Wash-



. . . Roughnecks join new section onto end of sunken length. . . .



WATER makes exploring tough. And it's only one of the problems.

ridelands Oil

ington officials have much doubt that his Congress will go along with him.

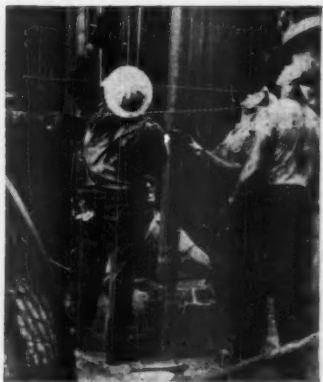
I. Settling the Issue

The fight over tidelands goes back to a definition of state boundaries. Actually, the word "tidelands," in this case, is a misnomer. By the strict dictionary definition, that means only the stretch of beach covered by the ebb and flow of tides. The federal government has never claimed this land.

But in oil parlance, the word now means all or part of the Continental Shelf, an underwater extension of the U.S. coast. Off California, the shelf



Derrick man, 40 ft. up, holds section of casing pipe, while below . . .



They watch while new section is lowered into hole, put clamp in, and remove block.

slopes steeply and is only five to 25 mi. wide. Off Texas and Louisiana, it slopes very gradually and stretches from 70 to 140 mi. into the Gulf of Mexico.

The question is, who owns what part of this shelf? In early days, an imaginary line was established on the sea, 3 mi. from the low-tide line. This was considered the boundary of the U.S. Until about 15 years ago, the sea floor within this boundary was thought of as part of the coastal states.

• **Whose Oil?**—In 1933, then-Secretary of the Interior Harold Ickes fired the first shot in the tidelands battle. He denied an application for a federal oil lease within California's 3-mi. limit. The oil, he said, was California's. But later, he changed his mind. He convinced President Roosevelt that the government should bring suit against California to quit title to the underwater oil.

The uproar that followed hasn't stopped yet. There have been Supreme Court decisions, congressional bills, Presidential vetoes. To complicate matters even further, the states themselves have gone ahead as if they were quite sure who owned the tidelands: Both the Louisiana and Texas legislatures have voted to extend their boundaries—Louisiana 27 mi. out to sea, Texas all the way to the edge of the Continental Shelf.

• **Clearing the Way**—Eisenhower's job is to get the issue settled one way or another. Since he has promised to do so in favor of the states, his Congress—if it sees eye to eye with him—will probably tackle the legislative job in two bites:

• First, it'll pass a simple quit-claim bill, declaring that the coastal states have full title to all lands within their boundaries.

• Second, it'll pass a much more complicated bill defining just where the state boundaries are, and setting up some kind of system to govern that part of the Continental Shelf outside the state boundaries.

II. Getting the Oil

Oil companies haven't been totally idle while the federal-state argument has been going on. Almost all big U.S. outfits have been doing some wildcatting in the tidelands. Some of them have paid both the federal government and the states for leases; others have paid only the states. Most of this money has been impounded until the tidelands issue is settled.

Getting oil out of the sea bottom, these companies have found, is a different proposition entirely from getting it out of dry land.

• **Cost and Risk**—Operating in the tidelands, in the first place, is three to five times as expensive as operating

on dry land. The cost of drilling a single offshore well, oilmen say, is anywhere from \$1-million to \$2-million.

Then, too, the operation is risky. You're at the mercy of the weather. (Hurricanes in the Gulf of Mexico can bring 125-mph. winds and 35-ft. waves.) And oil is hard to find underwater. Of 224 wells that have been completed in the Gulf, 92 have turned out to be oil producers, 37 gas and distillate wells, and the rest nonproducers. The cost to date: \$250-million. The return: \$44-million.

• **Land of Promise**—Because of these staggering costs and risks, only big oil companies have ventured into the tidelands. Right now, they're bringing some 70,000 bbl. a day from the Gulf and the submerged lands off California. This is a minute fraction of total U.S. production of over 7-million bbl. a day (BW—Nov. 22 '52, p. 88).

About three-fourths of tidelands production comes from California, where seagoing oilmen started operating as far back as the 1920s. But the Gulf, oilmen think, is the real land of promise. It's estimated that in five years, production from the Texas and Louisiana tidelands will go from 18,000 bbl. a day to 250,000. This will mean some \$1-billion more of investment. But as production goes up and techniques improve, oilmen think, the tidelands operation will start showing a profit.

• **Exploring**—Exactly how do you go about getting oil from the sea bottom? First, you have to find it.

For this job, oil companies use highly trained geophysical crews. In converted Navy boats, launches, and minesweepers, these men cruise through the tidelands making tests. They scan the ocean floor with dynamite (picture, page 31) and with delicate—and expensive—measuring equipment.

Not counting the initial outlay for boats and equipment, it costs an oil company \$50,000 a month to keep an exploration party on the sea. More irksome still is the fact that, because of bad weather, only 40% of the party's time is productive.

• **Locating**—Once you have found a promising spot, your next problem is how to drill the well. So far, the oil industry has come up with two answers:

The first is to build a big, self-sufficient platform, capable of housing all the necessary equipment, men, and supplies. These platforms are generally prefabricated on shore and moved by barge to the drilling site. Then they're anchored to the sea floor with huge piles driven into the mud by a steam hammer.

By the time one of these is finished, it's like a small city. For example, take the platform Humble Oil & Refining Co. built 7 mi. off Grand Isle, La. (picture, page 30). It has living quarters

plus a fully equipped kitchen, for a crew of 54. It has an acre of working area, can stand up to 125-mph. gales.

The second answer is to use a smaller platform that holds only a derrick, a power unit, and a few other bald necessities. The rest is carried on a tender—usually a converted Navy LST.

• **Comparison**—Both methods are costly. A big platform costs upwards of \$1-million, a small platform between \$250,000 and \$500,000. A war-surplus LST can be had for \$75,000, but it costs another \$500,000 to fix it up for oil work.

Each method has its disadvantages. You can't move a big platform without spending about 60% of the original cost.

The combination unit, on the other hand, can't weather a storm so well. Several small platforms have already been lost in the Gulf. And keeping the tender close by the platform is a touch nautical problem in rough seas. Probably for this reason, one oil company has two Navy rear admirals on its payroll.

• **Transportation**—Another headache for seagoing oil companies is how to get supplies out to the platforms, and how to get oil back to land. The only answer is to operate a fleet of boats. Humble Oil, for instance, keeps 36 auxiliaries shuttling back and forth.

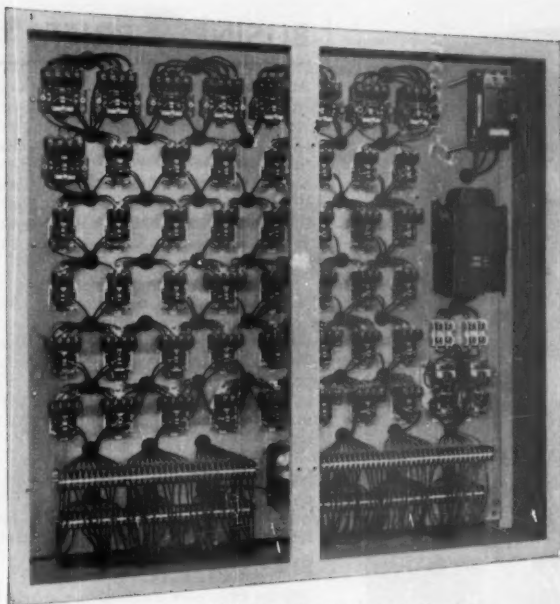
This has two disadvantages as compared to dry-land drilling. First, it's slow. Often, it takes four to five hours to go 25 mi. Second, it's costly. Transportation outlay per location is \$900 a day, compared to about \$50 on land.

Another transportation cost is the standby boat. A company has to keep one at every platform, to evacuate personnel in case of a fire, storm, or other catastrophe. This service costs some \$450 a day.

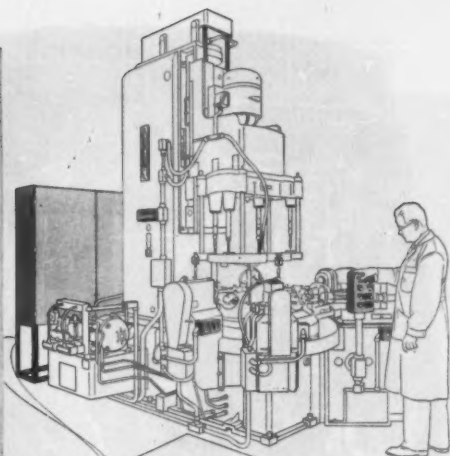
• **The Crew**—Offshore drilling is a new experience for the crews, too.

To compensate them for their hardships, most companies have gone out of their way to make things as pleasant as possible. One big platform boasts a crack chef and air-conditioned quarters. There are reading and recreation rooms and an open icebox policy. The pay is good: Roughnecks (general workmen) get up to \$100 a week, drillers \$150. And when the men are ready to take their five- or 10-day shore leave, most companies have special busses waiting at the docks.

On some platforms in the Gulf, the chief tool pusher (man in charge of drilling) is entrusted with the same legal responsibilities as a ship's captain. One Texas tool pusher pretty well summed up the whole feeling of tidelands operation when he said: "If anyone had told me a year ago I'd be a ship's captain, I'd have thought he was crazy."



Close-up of control panel showing
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BUSINESS BRIEFS

American Export Lines, after months of haggling, will pay the \$28,473,707 price set by the Federal Maritime Board for the liners *Independence* and *Constitution* (BW-Nov.22'52,p36). But United States Lines is holding fast, says it will turn the superliner *United States* back to the government before it will pay the \$10-million the U.S. wants over the contract price of \$41.5-million.

National Gypsum Co. will soon market exterior, as well as interior, construction materials. It bought Asbestone Corp., New Orleans asbestos-cement products manufacturer, for about \$5-million (BW-Nov.8'52,p182), will make shingles and exterior siding materials.

New Jersey Turnpike Authority chalked up a good first year. It ended Nov. 30, with net revenues of \$14,777,279, before interest payments on \$8-million of turnpike bonds.

Oilmen can space wells farther apart at the difficult Spraberry formation in West Texas (BW-Dec.13'52,p112), says the Railroad Commission of Texas. Operators pleaded that the present rule spaces wells so close that return doesn't pay for drilling.

Iked with the U.S. for keeping mum, du Pont announced to the public on Dec. 2 the Dept. of Justice dropped its antitrust suit charging the company with conspiracy in the sale of wood finishes. Du Pont adds that the dismissed case has nothing to do with the so-called General Motors antitrust suit against the company (BW-Nov.29'52,p34).

Chesapeake Industries, Inc., closed the deal to buy more than 95% of the capital stock of Virginia Metal Products Corp., one of the largest producers of metal doors, partitions, and window frames (page 86).

Thirty retailing executives have banded together under National Retail Dry Goods Assn. to chart retailing's role in the postdefense economy. Chairman Malcolm P. McNair, Lincoln Filene Professor of Retailing at Harvard's School of Business Administration, says one of retailing's big jobs will be to absorb a large hunk of manpower when defense plants shut down.

An automatic gas water heater that's supposed to last a lifetime was displayed this week by Trageser Copper Works, Inc., of Maspeth, L. I. It's rust-proof, corrosion-proof, and has extra safety features.

This big Bucyrus-Erie barge-mounted dragline, powered by a Cooper-Bessemer diesel, is owned and operated by J. Ray McDermott & Co. It is here shown building a 6-mile reservoir levee in swampland south of New Orleans for Freeport Sulphur Company's vast new sulphur mining project—the world's largest.

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idle swampland to work!*

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opments that add up to time-saving, money-saving performance every time. So if you're in the market for power, for *any* heavy-duty service, be sure to find out about the new things being done by one of America's oldest engine builders.

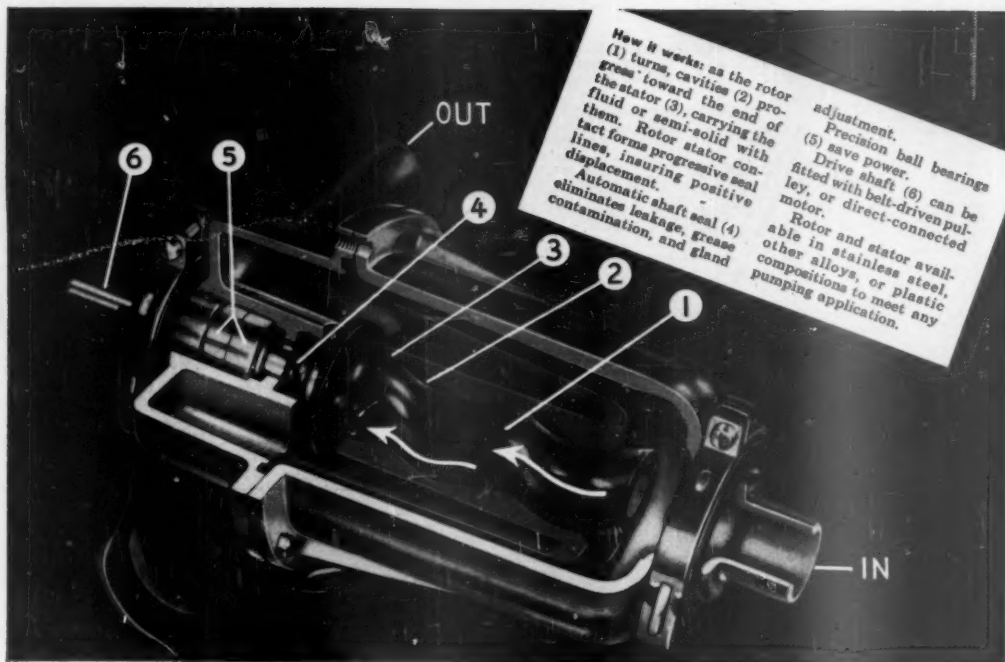
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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
DEC. 27, 1952

A BUSINESS WEEK

SERVICE

The new Congress will start slow. It convenes Jan. 3, the usual date. But it won't get down to work for weeks. In the first place, it is a new Congress; and it's a Republican Congress, a shiftover in control. That will add to the delays. Further, the State of the Union message, with its program for 1953, will come from Truman, not Eisenhower. So Congress won't have any inclination to get down to business until Eisenhower lays out what he wants—in the inaugural address, and later.

Sessions between congressmen and Eisenhower so far have been exploratory. Taft outlined how he sees the program for the year. Speaker-to-be Martin tipped the President-elect on the general makeup of the new House members and on the merits and foibles of the GOP committee chairmen who will be shepherding the Administration's program.

Still, some big issues can be spotted:

Taxes—The excess-profits levy will go off June 30 unless Congress acts to extend or modify the law. Chairman Dan Reed of the House Ways & Means Committee, which writes tax laws, wants to let the EPT go; he would kill the 10% to 11% post-Korea levy on individuals at the same time, even though it won't expire automatically until Dec. 31.

Eisenhower will call the turn on taxes—deciding whether to try balancing the budget before giving tax relief.

Wages and prices—Committee hearings will begin in February on extension of the Defense Production Act. Standby controls—to be used only if things worsen—are favored now, to be effective after Apr. 30. Eisenhower might even decide to suspend wage controls before spring, depend on management's tougher attitude toward wage raises to keep pay in line. A lot of people figure bargaining table settlements would turn out to be less than allowable wage ceilings.

Allocations of metal for defense will continue beyond June 30—by some scheme for letting civilian production go without restraint, but saving hard-to-get metals for munitions.

Export controls—Government licensing of exports will die unless extended. Also, the international wheat agreement, which has provided a guaranteed market for U. S. wheat for the past five years, expires at mid-year. A renewal is favored by the farm bloc as a prop for grain prices.

Labor—A revised Taft-Hartley law is almost a certainty. AFL man Durkin, the new Secretary of Labor, and AFL president Meany think they can come to some agreement with Taft and are planning to work with him on details. Taft has already seen president Gray of the building trades about letting carpenters and masons, etc., sign contracts with builders before work on a project begins. This would reinstitute historical practices—which Taft-Hartley now prohibits.

Taft favors extending non-Communist affidavits to employers, as does Eisenhower. And some change will be made in secondary boycott language and on voting rights of strikers. The emergency injunction probably will be kept.

Sen. Smith of New Jersey will be labor chairman if Taft becomes floor leader. He is close to Taft on labor matters.

Tariffs—The Hull Reciprocal Trade Act comes up for renewal June 12. It will be extended, but not without a fight over more protection for such industries as jewelry and ceramics and for commodities like wool and

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
DEC. 27, 1952

minerals. The White House will try to cut some red tape on customers so that more imports can come in.

Immigration—Eisenhower promised to liberalize the law, particularly the stiffened provisions in the McCarran law on deportation of aliens and denaturalization of new citizens. Also the State Dept. complains that the law's quotas for Eastern and Southern Europe and Asia play into the Soviets' propaganda hands.

Foreign policy—Eisenhower's own influence will be decisive on this. Republican congressmen drag their feet on any big aid programs, will insist that appropriations be mostly, if not entirely, for arms to NATO countries and other friendly nations.

The mutual security program will be cut, from Truman's request for \$7.5-billion, by \$2-billion or more.

Point Four will be continued, but the emphasis will be on private investment. Indeed, Eisenhower is in favor of some plan to give tax incentives to U.S. capital abroad in order to stimulate investment.

Government reorganization—The Hoover Commission law expires Mar. 31. Eisenhower's own committee on streamlining government—Milton Eisenhower, Nelson Rockefeller, and Arthur Fleming—is working on a new program to give Congress.

Note: One thing to watch is whether the Reconstruction Finance Corp. will get the axe; a lot of congressmen want to abolish it.

Social security—Minor fiddling is necessary to define "disability," but an overhaul on pensions will await Eisenhower's own program.

Aid to education has little chance of being voted in 1953.

Civil rights legislation will be soft-pedaled.

Health proposals will get serious consideration, but national subsidies will be small, if any.

A department of health and welfare, to make Mrs. Hobby a Cabinet member, may be voted.

Tidelands—Title to offshore mineral lands will go back to the states (page 30).

Atomic energy—The first move to change the McMahon law will be made.

Investigations will be started up in almost every committee, as the new chairmen exercise their long-sought power. But if Atty. Gen. Brownell goes through with a real probe of scandal by the Justice Dept. he will overshadow Capitol Hill.

The big unknown is the budget—military spending, public works, foreign aid. Eisenhower will have a chance to modify it up or down before the appropriations committees get too deep into their work. Truman's military figure will be around \$40-billion. (That's new money, not spending for fiscal 1954, which will be as much or more than this year.)

Eisenhower probably can't cut much here, but he can make some reductions in nondefense spending and in foreign aid. Even if taxes stay up, Eisenhower faces a deficit in his first year in office.

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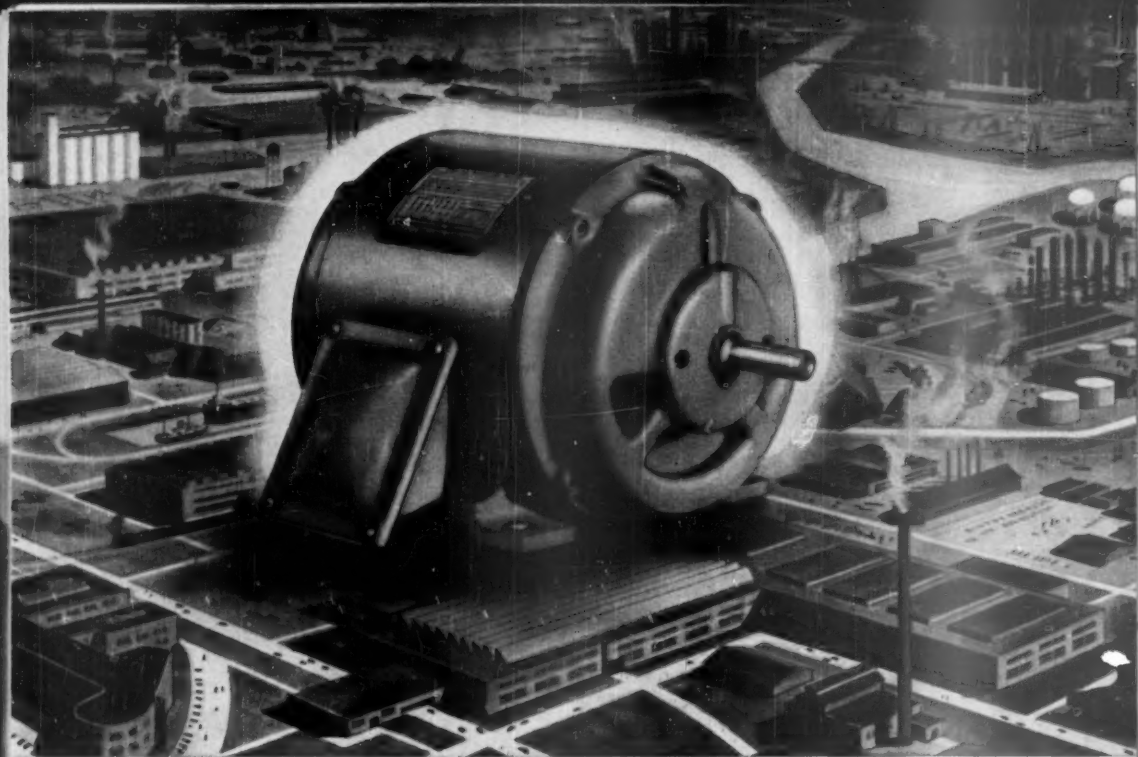
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MARKETING

Cigarette Sales: The Kings Shoot Up

Estimated Domestic Tax-Paid Sales
Billions of Cigarettes

BRAND	1951	1952	% Change	Share of Market 1951	1952
REGULAR SIZE					
Camel (R. J. Reynolds)	103.0	104.5	1.5%	27.2%	26.5%
Lucky Strike (American Tobacco)	78.0	73.5	- 5.8	20.6	18.6
Chesterfield (Liggett & Myers)	64.1	57.0*	-10.8	16.9	14.4
Philip Morris (Philip Morris)	39.3	36.5	- 7.1	10.4	9.2
Old Gold (P. Lorillard)	21.5	23.0	7.0	5.7	5.8
Kool (Brown & Williamson)	10.5	11.5	9.5	2.8	2.9
Raleigh (Brown & Williamson)	8.0	8.3	3.8	2.1	2.1
Wings-Avalon (Brown & Williamson)	.7	.7	...	.2	.2
Marvel (Stephano Bros.)	.7	.6	-14.3	.2	.2
TOTAL (Regular Size)	325.8	315.6	- 3.1	86.0	79.9
KING SIZE					
Pall Mall (American Tobacco)	32.0	41.5	29.7	8.4	10.5
Herbert Tareyton (American Tobacco)	9.5	12.5	31.6	2.5	3.2
Chesterfield (Liggett & Myers)	...	11.0*	...	...	2.8
Fatima (Liggett & Myers)	2.5	3.0	20.0	.7	.8
Cavalier (R. J. Reynolds)	.8	1.5	87.5	.2	.4
Regent (Riggio Tobacco Co.)	1.0	.8	-20.0	.3	.2
Embassy (P. Lorillard)	.5	.7	40.0	.1	.2
Dunhill (Philip Morris)	...	.5	...	...	.1
TOTAL (King Size)	46.3	71.5	54.4	12.2	18.1
FILTER TIP					
Viceroy (Brown & Williamson)	1.8	2.7	50.0	.5	.7
Parliament (Benson & Hedges)	1.4	1.9	35.7	.4	.5
Kent (P. Lorillard)	...	.7**	...	...	.2
TOTAL (Filter Tip)	3.2	5.3	65.6	.8	1.3
Miscellaneous	3.4	2.6	-23.5	.9	.7
TOTAL ALL TYPES	378.7	395.0	4.3	100.0	100.0

*Chesterfield kings were introduced in June, have now attained national distribution.

**Kent was introduced in April, had high-spot distribution in 40 cities by mid-November.

Note: Brand percentages may not add to group totals because of rounding.

The cigarette industry, as if by habit, again broke all sales records in 1952. But the big news in the trade isn't the continuing boom; it's the fact that the king-sizers are gathering speed—pushing up at a rate that suggests a major change in long-standing smoking patterns.

In his annual study for BUSINESS WEEK, Walter E. Knight, of the University of Louisville, indicates that an estimated 395-billion cigarettes were sold in the United States this year. This is an all-time high, and an increase of 4.3% over 1951. But the performance of the kings overshadows the gain in the totals. Here's why:

Pall Mall became the first king to reach fourth position among all types of cigarette brands, as it racked up an estimated 9.5-billion unit gain (29.7% increase) to pass previous fourth placer, Philip Morris.

King-size Chesterfield was brought out in June, and in the remaining months managed to fight quickly into ninth position (BW-Jun.28'52,p60). An estimated 11-billion long Chesterfields were sold.

Herbert Tareyton, another king, out-sold Kool and stole seventh place. It was ninth in 1950, eighth last year. This year it sold an estimated 12.5-billion for a 31.6% gain.

• **Kings Are Trumps**—One look at the table (left) points up the impact of the king-sizers and illustrates the current trend toward the rapidly expanding king market. It is estimated that in 1951, 46.3-billion kings were sold for 12.2% of the market. Estimates for 1952 indicate that 71.5-billion kings will be sold, for 18.1% of the market.

Nearly every king showed a unit increase or held its own, and held its share of the market as well. The sole exception among the major king-sizers was Riggio Tobacco Corp.'s Regent, which slipped from 13th to 15th and lost one-third of its share of the market.

• **Why Kings?**—There are plenty of reasons for the growing popularity of the long cigarette:

• Cigarette makers have been plugging them on the basis that they are milder because the extra tobacco filters out nicotine. This is a potent appeal in an age that is increasingly worried about the ill effects of smoking on health.

• Many experts feel that women like king-sizers because of their more graceful appearance.

• Economy-minded persons say



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HOW THE BIG COMPANIES MADE OUT

Estimated Domestic Tax-Paid Sales
Billions of Cigarettes

COMPANY	1951	1952	% Change	Share of Market 1951	1952
American Tobacco...	119.5	127.5	+ 6.7%	31.6%	32.3%
R. J. Reynolds	103.8	106.0	+ 2.1	27.4	26.8
Liggett & Myers	66.6	71.0	+ 6.6	17.6	18.0
Philip Morris	39.3	37.0	- 5.9	10.4	9.4
P. Lorillard	22.0	24.4	+10.9	5.8	6.2
Brown & Williamson..	21.0	23.2	+10.5	5.5	5.9
All Others	6.5	5.9	- 9.2	1.7	1.5
TOTAL.....	378.7	395.0	+ 4.3	100.0	100.0

Note: Company percentages may not add to total because of rounding.

that the smoking public buys kings because they get more for less money.

• **Trial Balloon**—Actually, the cigarette manufacturers are not so much interested in cause as in effect. Right now they're watching closely the latest trial balloon, king-size Chesterfields. All the major companies make king-sizers, but Liggett & Myers' Chesterfields is the first brand name to appear as both a long and a regular. The sales of long Chesterfields, and the effect of these sales on regular Chesterfields, will in part govern the plans of the other manufacturers.

There are rumors that Chesterfield's big competitors are about to bring out extended models of their own popular brands. The most persistent rumor is that Philip Morris will be the first to follow Chesterfield. This adds up: Philip Morris doesn't have a top king-size; its Dunhill is now in 20th place, and its regular length (Philip Morris) had a lukewarm year.

American (Lucky Strike) is also said to be getting a king ready. American has strong contenders in Pall Mall and Herbert Tareyton, but apparently—if the rumors are true—it wants to put still more money on the king-sizers. Besides, prestige means a lot in the cigarette industry, and Lucky Strike has lost a good deal of face since Camel knocked it out of first place.

There is less talk about a Camel king. R. J. Reynolds may be satisfied to let the other companies do the pioneering.

A spokesman for one of Chesterfield's competitors says that everyone has to be ready to follow Liggett & Myers' move, or at least have plans ready to display to stockholders. But their moves await (1) their appraisal of Chesterfield's 1952 record; and (2) possible removal of cigarette price controls next spring.

• **Totals**—The standard-length cigar-

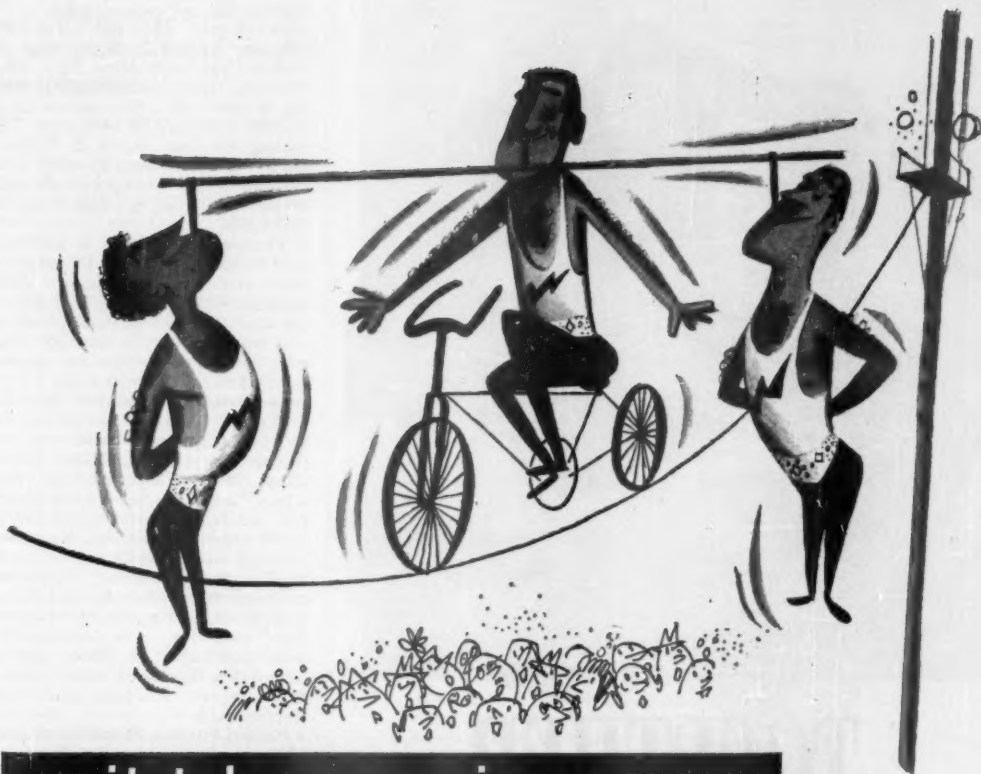
ette is still, of course, far and away the big seller. In 1952 regular sizers sold an estimated 315.6-billion smokes. That's a drop of 3.1% from last year. Their share of the market shrunk, too: In 1951 it was 86.0%, this year about 79.9%.

The major standard lengths plus the major king-sizers account for 387.1-billion of the 395-billion cigarettes estimated to have been sold in the country. The remaining 7.9-billion were made up of filter tips and miscellaneous brands.

In addition to domestic sales, it is estimated that "tax-free removals" for 1952 will reach 42.9-billion cigarettes. Of this number, an estimated 17.5-billion will go into export trade. The remainder will go to armed forces overseas, ships' stores, and U.S. possessions. The number of tax-free removals increased 10.3% over 1951.

• **Standard-Length**—Camel remained the No. 1 brand among all cigarettes and managed to increase its sales 1.5%, although its share of the market slipped from 27.2% to 26.5%. Lucky Strike clung to second place, but took a mild licking: Its volume dropped 5.8%, and it lost two percentage points in its share of the market. Chesterfield held on to third, while losing more sales than any other major regular except Marvel. Of course, an unknown portion of these sales simply shifted to the long Chesterfield and stayed on the Liggett & Myers ledger. Pall Mall came fourth—pushing Philip Morris down to fifth and shaking up the Big Four for the first time in years. Old Gold was steady in sixth, even showed a 7% increase in volume. Kools yielded seventh to Herbert Tareyton, but in so doing boosted sales by 9.5%, the biggest gain among the regulars.

• **Filter Tips**—Another standout in 1952 was the solid rise of filter-tip cigarettes, which sold 65.6% more units



it takes experience...



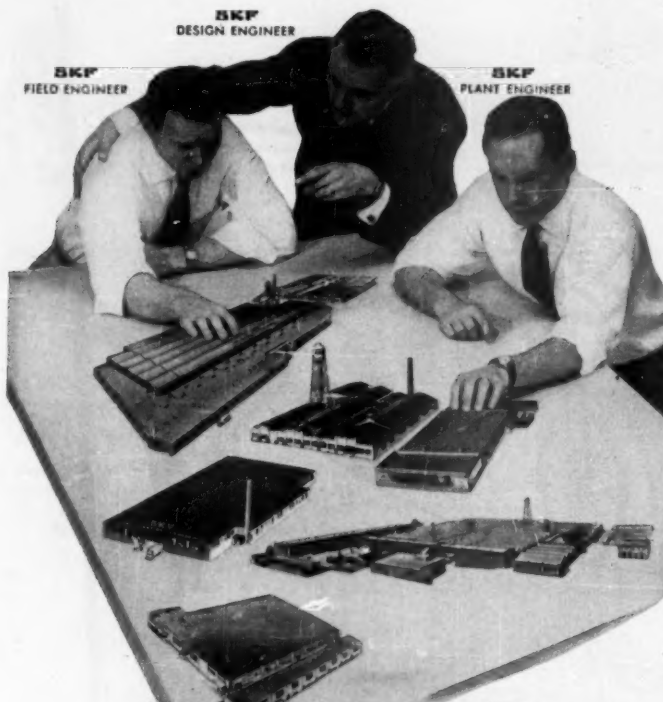
Torrington has had many years of experience in the manufacture and application of all types of anti-friction bearings. It knows the advantages of each bearing and the requirements of almost every kind of mechanical equipment. Thus, manufacturers and users of everything from hand tools to rolling mills have learned to rely on Torrington for improved bearing performance.

Next time you have a friction problem, call your nearest Torrington office. They will be glad to help you select the bearing best suited to your application.

THE TORRINGTON COMPANY
 South Bend 21, Ind. Torrington, Conn.
*District Offices and Distributors in Principal
 Cities of United States and Canada*

TORRINGTON BEARINGS

Spherical Roller • Tapered Roller • Straight Roller • Needle • Ball • Needle Rollers



TOGETHER

they add capacity for quality in quantity

SKF Field Engineers found out that industry wants more bearings, more quickly, and what types.

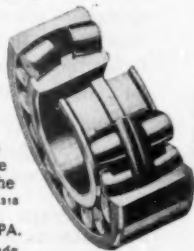
SKF Design Engineers and Plant Engineers worked out the way to see that you get them.

The answer is a 30.4% increase in manufacturing area, in the form of expansion of two Philadelphia plants, of the Shippensburg, Pa., plant, and an entirely new plant in Altoona, Pa.

SKF started early, worked fast, and will be ready on time. In addition, of course, modernization and maintenance of existing facilities have kept pace with demand.

As always, you can depend on SKF to do everything possible to help you put the right bearing in the right place—at the right time.

SKF INDUSTRIES, INC., PHILADELPHIA 32, PA.
manufacturers of SKF and HESS-BRIGHT bearings.



SKF
BALL AND ROLLER BEARINGS

than last year. The most recent addition here is Lorillard's Kent, which introduced the mineral-type filter called micronite (BW-Mar.22'52,p27). Starting in April with a three-month handicap, Kent still tied for 16th place. The leading filter tip, Brown & Williamson's Viceroy, boosted its sales 50%. Parliament, the mouthpiece type made by Benson & Hedges, lifted its volume by 35.7%.

The significant boom in filter tips (and in Kools) is further indication of health consciousness on the part of the smokers. Other countries have experienced an almost phenomenal growth of this type: 50% of Switzerland's cigarette consumption is filter tip, approximately 35% of South Africa's.

• **Companies**—The current year has shown no changes in position for the six major cigarette manufacturers, although there were fluctuations. All six, except Philip Morris, increased their sales volume. The two leading gainers were Lorillard with a jump of 10.9% (due to gains in Old Gold, Kent, and Embassy, and no losses), and Brown & Williamson with a rise of 10.5% (due to comfortable gains for Kool and Raleigh, and a big gain for Viceroy). These two, along with American Tobacco and Liggett & Myers, also increased their share of the market, mostly at the expense of Philip Morris and R. J. Reynolds.

• **Point-of-Purchase Promotion**—During 1952 manufacturers and distributors became more keenly aware of the shifts in cigarette distribution. They know that 50% or more of the cigarettes are sold in chain stores by the carton. At least four-fifths of these are sold in food markets (BW-Dec.1'51,p58). The manufacturers are busy impressing store managers that cigarettes will yield them their highest profit per square foot and that turnover can be expected to range between 25 and 50 times a year. They are becoming more conscious of shelf position, point-of-purchase displays, and impulse promotion.

Joint advertising of a company's several brands apparently is not so much a problem as it seemed once. A few years ago the best a companion brand could get on a radio show was a cow catcher or a hitch hike (a spot announcement just before or just after a major program). Today the two brands are being advertised by some companies side by side on the same show.

There were new promotion gimmicks, too. Tobacco Blending Corp. (BW-Aug.30'52,p44) put out special packs named after both Eisenhower and Stevenson. Those named after the President-elect outsold Stevenson's 53.2% to 46.8% (actual popular vote: 55.1% to 45.1%).

• **Price Hikes?**—The old squeeze—high costs and taxes versus controlled prices—

"... the boom in filter tips is an indication of health consciousness ..."

CIGARETTES starts on p. 41

held down cigarette company earnings throughout 1952, but 1953 may look different (BW—Nov. 22 '52, p138). The break could come in the spring. Price controls are expected to go in April, and the excess-profits tax may die in June.

The question as to what may happen when controls go off centers on the king problem. The prices on kings—where they are now the same as regular-length prices or just a hair above that level—are almost certain to go up. Kings cost about 20% more to produce: They use more tobacco and paper, and they come off the line more slowly (they are made from the same machines as the regulars).

A price increase could mean that most kings, including the new Philip Morris and Lucky when and if they are brought out, will end up with the same price as today's Chesterfield king-size: about 1¢ a pack above the price of regulars.

But if king prices go up, as they probably will, there still remains the question of regular prices. People in the trade differ on what might happen. Some think that Reynolds will hold the line on Camel and force the others to do the same with their regulars. Others think that Chesterfield will raise the price of its regular to that of its king, and hold the price of the king. This would give them a chance to use "greater value" ads to push the king-size.

Another idea is that all prices will go up. One thing, however, is certain. The industry is nervous. Everyone is waiting for the first move.

There is also a future boon to the industry in tobacco leaf prices, which are off a little. But this will only affect costs gradually because of the two-to-three-year leaf storage period.

The long-range future looks bright. By almost any standard, the cigarette industry is one of the most important in the country today. American smokers are now spending more than \$90 per year per capita for cigarettes. It is estimated that 10 cigarettes are consumed each day for every person in this country over 15 years of age.

Authorities differ on their forecasts of industry growth except for the fact that they all believe tremendous growth lies ahead. One source predicts that by 1970 approximately 800-billion cigarettes will be sold per year. Another says that by 1960 sales will reach the 534-billion mark.



With an industrial capacity of over three billion dollars and some 500,000 production workers, Detroit is the nation's third largest manufacturing area and ...

When Detroit gets down to business ...Rome starts the wheels turning

A switch is thrown and lights blaze ... a relay snaps and a motor turns ... Detroit gets down to business, with electricity flowing through long arteries of wires and cables ... miles of them made by Rome.

Rome Cable is an important part of Detroit's daily life, for, *there can be no useful application of electrical energy without wire.* An independent wire maker that rolls its own copper, Rome Cable controls quality all the way ... *from copper bar to finished wire.* Dependability of its product is attested by national acceptance. To see the fascinating story of how wires and cables are made, send today for your copy of "The Story of Rome Cable Corporation."

Rome Thermoplastic Insulated Control Cable—RoLene (polyethylene) insulation and Rome Synthinal (polyvinyl chloride) sheath make these cables popular among electrical utilities for station control circuits.



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ROME • NEW YORK
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MORE INQUIRIES...MORE SALES



Perrygraf Slide-Charts are one of the greatest producers of inquiries... and sales follow inquiries. One mailing produced over 4,000 inquiries for a customer's Slide-Chart. They reached the men who buy—they were retained. Write for new booklet illustrating how others have profited by using Perrygraf Slide-Charts.

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THE MARKETING PATTERN

Soaring Costs Shape TV's Future

TELEVISION in addition to all the other claims it can make has one unchallenged distinction: It is the most expensive of all advertising media.

The cost of TV is staggering. From the very beginning everyone knew it was going to be, and there was universal worry over the prospect. But no one knew quite what

to do about it. Cutting corners, inventing gimmicks never seemed to do much good. The costs of television just kept on rising inexorably.

Look where they are today. Even for wealthy advertisers, TV is a very strong dose, as a comparison of radio and television shows will demonstrate:

Name of show	Sponsor	Network	No. of Stations*	Production Costs**	Time Costs*
Radio					
Jack Benny	American Tobacco	CBS	202	\$22,000	\$17,209
Theater Guild	U. S. Steel	NBC	192	14,000	24,636
Dragnet	Liggett & Myers	NBC	189	8,000	15,390
Metropolitan Opera	Texas Co.	ABC	306	17,000	16,201
Television					
Jack Benny	American Tobacco	CBS	55	40,000	26,490
Studio One	Westinghouse	CBS	55	25,000	45,135
Dragnet	Liggett & Myers	NBC	58	30,000	27,097
NBC Symphony	Reynolds Metals†	NBC	56	.....	44,825

Sources: * Publishers Information Bureau. † Part sponsored, part sustaining.
** Variety (includes cost of talent, sets, directing, etc.)

Worst of all is the fact that TV costs are going to keep on rising.

New sets are being installed constantly, which means that stations are going to continue to boost their rates on the basis of increased "circulation." New stations will go on the air with increasing frequency now that the Federal Communications Commission's freeze is well thawed out.

Where's the ceiling on television costs? No one knows yet, and the guesses range widely.

BUT one thing is certain: TV is soon going to become intolerably expensive for many advertisers.

Some advertisers are feeling the pinch already. In order to pay for television, they have—as one alternative—reached into the other pocket and taken money out of magazine, newspaper, and radio advertising—particularly radio (page 27).

There is a second alternative also being widely used today. This is the so-called participating or co-operative show, the costs of which are divided up by a number of advertisers, either by geography or time segment.

There are several outstanding examples of the participating show. Some of them are expensive, but by splitting the bill as many as nine ways, the cooperating advertisers all get a toehold in television. Here are three such shows:

All Star Revue over NBC, which costs \$60,000 to produce each week; the Jackie Gleason show over CBS, \$54,000; Your Show of Shows over NBC, \$29,700.

There's a third alternative: to stay away from TV altogether. This, too, is being used and will continue to be used by small advertisers for whom TV is just too expensive.

THE enormous cost of television has had still another consequence. It has put some programs out of the reach of all advertisers, rich or poor.

Grand opera is an example. At present, a telecast of opera during the evening hours on a national basis would cost about \$150,000 for time alone.

Super-shows of this sort, though, might be the basis of some form of pay-as-you-go TV, a point demonstrated by last week's successful experiment with a theater-television version of the Metropolitan Opera's Carmen. Some 70,000 people saw it in about 30 theaters. From this it is easy to project 100 theaters showing opera to an audience of, say, 200,000 in two years' time. At about \$2 a ticket, that would mean a take of \$400,000.

Thus, theater TV may eventually be able to outbid the commercial telecasters for a wide variety of public events. This has already happened in the case of major heavyweight prizefights.



How to get more out of meetings

Here are two ways modern *sound-writing* will help make your business conferences short, to-the-point, and productive.

First comes the "meeting of minds" before the meeting. Through your Gray Audograph you speak with each participant in advance — stating the problem, filling in the background, and listing the data needed. Each man comes to the meeting prepared with well-considered ideas. With these pre-

sented, the meeting can proceed to its *real* purpose — to produce agreement on a final decision.

Secondly, Audograph makes an accurate, inexpensive recording of the meeting itself, on 20-, 30- or 60-minute plastic discs. *You have a permanent record of understandings, decisions and assigned responsibilities, to insure proper follow-up by all concerned.* The result is an organized conference that produces results.

But conference recording is only one example of Audograph's complete versatility. You'll use it in the office, at home, on trips . . . to record dictation, telephone calls, interviews . . . and above all to *talk* your paperwork away throughout the day.

A demonstration will convince you that the low-cost, easy-to-use Audograph is a *necessary* tool for today's executive workload.

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AUDIOGRAPH

The world's most versatile dictation instrument

AUDIOGRAPH® sales and service in 100 U. S. cities. See your Classified Telephone Directory under "Dictating Machines." Canada: Northern Electric Co., Ltd. Abroad: Westrex Corp. (Western Electric Co. export affiliate) in 35 countries. Audograph is made by the Gray Manufacturing Company — established 1891 — originators of the Telephone Pay Station.

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Send coupon for the new "How To" booklet!

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Hartford 1, Connecticut

Please send me your illustrated Booklet Y-12 "How to Talk Yourself out of Time-Taking Work."

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your competition

may be **MORE**
than one jump ahead

if you make these
products: kitchen ranges

• water heaters • regulators •
refrigerator units • pumps
• motors

Our packaging engineers have just designed new and different containers for each of these products. They are light-weight and extra strong! They are designed to cut packing and shipping costs, to speed production! They are good looking, too! We have experience in designing better shipping containers for practically all types of products. Write us. Get the facts on this important subject.

Get this important booklet. Write today! It's free! It shows how to cut packing and shipping costs.

ALL TYPES OF ENGINEERED SHIPPING CONTAINERS

General BOX COMPANY
1805 Miner Street,
Des Plaines, Ill.

District Offices and Plants:
Cincinnati, Danville, N. J., Detroit, East St. Louis,
Kansas City, Louisville, Milwaukee, Sheboygan, Winchendon, General Box Company
of Mississippi, Meridian, Miss., Continental Box Company, Inc., Houston, Dallas



General Wirebound Crate



General Nailed Box



General Corrugated Box



General Cleated Corrugated Container



General All-Sound Box



General Lift Pallet and Pallet Box



General Walking-Type Box

MARKETING BRIEFS



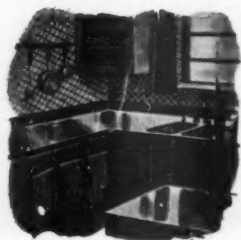
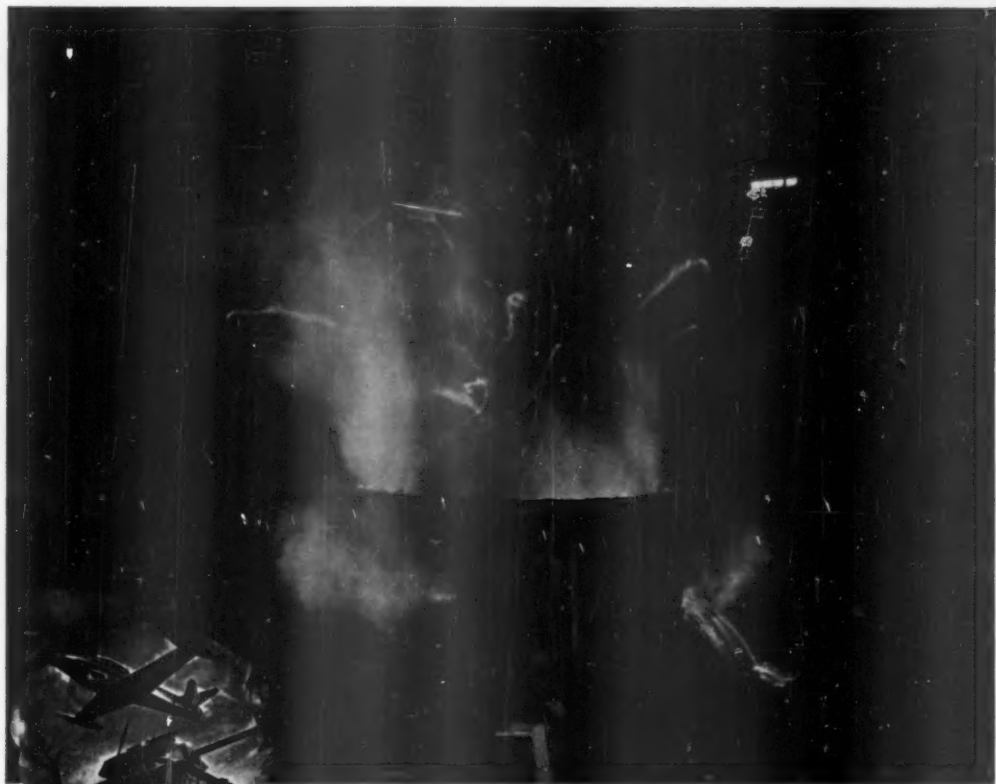
Rudolph the Red-Nosed Reindeer helps Barton's Bonbonniere, New York City chain, sell candy to the kiddies. The Rudolph assortment is the first in Barton's new Kid Bits Club. A \$7.50 membership brings a youngster a box four times a year—plus a kit of games, stories. Three clubs for grown-ups—with 8,000 enrolled—helped push Barton's sales to \$8-million last year. This year it has nine clubs, reports sales at a new high.

Watchmaker Elgin has jumped into the fair trade fight. It filed suit in a county district court to restrain a Lincoln (Neb.) jewelry store, which it charges is selling its products at less-than-Elgin prices.

Natural gas expansion, plus heavy promotion, brought gas appliances out of a slump, American Gas Assn. reports. After a bad start shipments of ranges pulled up to 2.2-million units in 1952, just under the 1951 total. Automatic gas water heaters are about on a par with 1951, at just under 2-million units. Heating appliances topped shipments of a year ago, while gas laundry dryers and incinerators gained.

Alcohol blues: "Pocketbook prohibition" will close a Schenley distillery at Maysville, Ky., in January. High taxes and moonshine are blamed. George J. Renner Brewing Co., Akron, is shutting up shop after 67 years—can't compete with the big out-of-town breweries (BW—Apr. 1 '52, p. 147).

Another all-season room air conditioner (BW—Dec. 20 '52, p. 41) is hitting the 1953 market. Cory Corp.'s Fresh-Aire division has a unit that heats, cools, and dehumidifies.



Special
Steels
for
Armament
for
Industry
for the
Home

Spectacular Beginning of a SPECTACULAR STEEL

An electric furnace puts on a terrific show when we drop in a charge (as above) but it's only indicative of the great performance the steel will give later in service. For these are the high-alloy steels, stars of the metal world . . . the steels that give you so much more than they cost in resisting corrosion, heat, wear or great stress—or in providing special electrical properties. ● They can help you cut costs, improve quality, or add sales appeal. Let's get together on it. *Allegheny Ludlum Steel Corporation, Oliver Bldg., Pittsburgh 22, Pa.*

W&D 4148

PRODUCING THE HIGHEST QUALITY OF STEEL
Allegheny Ludlum



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consider these

1 During the first ten months of 1952, advertisers placed more pages in Business Week than in any other magazine measured by Publishers Information Bureau.*

2 Year after year more advertisers to business and industrial management place more pages *exclusively* in Business Week than in any other magazine measured by Publishers Information Bureau.

3 For the 14th consecutive year more advertisers to business and industrial management are placing more pages in Business Week than in any other magazine measured by Publishers Information Bureau.

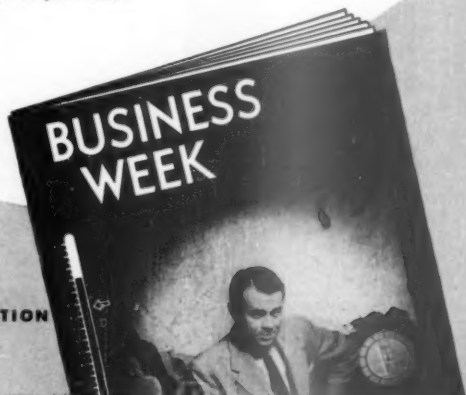
Here are FACTS on which you can base your advertising decisions. Facts documented by Publishers Information Bureau ...indicating the full measure of BusinessWeek's ability to develop broader sales markets for business and industry.

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BUSINESS WEEK

330 WEST 42nd STREET, NEW YORK 36, N. Y.

A MCGRAW-HILL PUBLICATION



MEN WITH YOUR ADVERTISING

facts:

Record of Advertising Pages — 1st 10 months of 1952	Total Advertising Pages	Page Gain or Loss Over 1951
BUSINESS WEEK	4,575	+620
SATURDAY EVENING POST	3,505	-153
LIFE	3,101	-246
TIME	2,958	-206
NEW YORKER	2,954	+199
NEWSWEEK	2,548	+152
U. S. NEWS & WORLD REPORT	1,891	+548
FORTUNE	1,286	+148

In 1953, as in every year, to reach the men who initiate, specify and approve major corporate purchases...

YOU ADVERTISE IN BUSINESS WEEK WHEN YOU WANT TO INFLUENCE MANAGEMENT MEN.



Helping America's fastest moving industry forge ahead!

You're looking at a good reason why top plane builders are attaining faster, greater production.

This photo shows a seamless tube hot-extruded by Curtiss-Wright from a forging of Barium's Industrial Forge & Steel, Inc. (the tube will become a hollow steel propeller blade). It's this ability of suppliers to provide plane producers with vital raw materials, parts, complete assemblies, that helps boost aircraft output.

Other Barium subsidiaries supply the industry with the key components described in the captions

below, gearbox assemblies, cylinder liners, Fiberglas and magnesium wings, and many more.

The group of strategically located companies known as Barium Steel Corporation serves aviation as a *unified* source for its needs in steel and other materials . . . controlling quality from blast furnace to end product, working as a self-contained unit to speed urgently needed orders.

Barium can do the same for any industry. Write Barium at 25 Broad St., New York City, for information. No obligation.



BAYONNE BOLT CORP. • CENTRAL IRON AND STEEL COMPANY • CHESTER BLAST FURNACE • CLYDE IRON WORKS, INC. • CUYAHOGA SPRING COMPANY • EAST COAST AERONAUTICS, INC. • ERIE BOLT AND NUT COMPANY • GEOMETRIC STAMPING CO. • GLOBE FORGE, INCORPORATED • INDUSTRIAL FORGE & STEEL, INC. • JACOBS AIRCRAFT ENGINE CO. • KERMATH MANUFACTURING CO. • KERMATH LIMITED (CANADA) • PHOENIX BRIDGE CO. • PHOENIX IRON & STEEL CO. • WILEY MANUFACTURING CO.



"FLYING BOXCAR" (C-119), carrying 10,000 lbs. of cargo or equivalent weight in passengers, is made by Fairchild Engine and Airplane Corp. with gear blanks produced by Barium's Globe Forge, Inc.



"STRATOFORTRESS" (B-52), heavy bomber, with inlet (for filling oil, fuel, water-alcohol tanks) protected by a filler cap, made by Barium's East Coast Aeronautics, Inc. Boeing Airplane Co. makes B-52s.



"THUNDERJET" (F-84F), fighter-bomber, speeding on swept wings at 650 mph plus, uses hydraulic assemblies, manufactured for the builder, Republic Aviation Corp., by Barium's Jacobs Aircraft Engine Co.

FINANCE

How the Life Insurance Companies' Investment Portfolio Now Stands:

How the Pattern of Their Investment Holdings Has Changed in the Postwar Years

	Year-end 1952 (est.)		Change Since 1946	
	Amount	Percent of Total	In Dollars	In Percent
BONDS				
U. S. Government Bonds	\$10,050	13.7	— \$11,579	— 53.5
St., Co., & Municipal Bonds	1,125	1.5	+ 511	+ 83.2
Foreign Government Bonds*	1,300	1.8	— 32	— 2.4
➔ Total Government Bonds	12,475	17.0	— 11,100	— 47.1
Railroad	3,525	4.8	+ 653	+ 22.7
Public Utility	12,150	16.6	+ 6,563	+ 117.5
Industrial & Misc.	13,950	19.1	+ 10,634	+ 320.7
➔ Total Corporate Bonds	29,625	40.5	+ 17,850	+ 151.6
STOCKS				
Railroad	125	0.2	NA	—
Public Utility	800	1.1	NA	—
All Other Stocks	1,400	1.9	NA	—
➔ Total Stocks	2,325	3.2	+ 1,076	+ 86.1
MORTGAGES				
Farm	1,675	2.3	+ 880	+ 110.7
Nonfarm	19,600	26.8	+ 13,240	+ 208.2
➔ Total	21,275	29.1	+ 14,120	+ 197.3
OTHER INVESTMENTS				
Real Estate	1,775	2.4	+ 1,040	+ 141.5
Policy Loans & Premium Notes	2,700	3.7	+ 806	+ 42.6
Cash & Misc.	3,025	4.1	+ 1,217	+ 67.3
Total Assets	73,200	100.0	+ 25,009	+ 51.9

N.B. All figures are in millions of dollars. *Largely Canadian.

NA not available.

Data: Institute of Life Insurance and Life Insurance Assn. of America.

Reaching for Higher Yields

The U.S. life insurance companies, the biggest class of institutional investors in the country, keep on rolling up more and more assets. At the end of 1952 they have about \$73.2-billion under their control—a gain of \$4.9-billion for the year.

In choosing investments for this enormous kitty, the life companies have continued to shift more and more out of government securities and into corporate bonds (particularly industrials) and mortgages.

• **Boom in Sales**—This is the picture that emerges from estimates by Dr. James O'Leary, of the Life Insurance Assn. of America. O'Leary presented his figures to the LIAA's annual meeting in New York as part of a roundup of investment problems of the industry.

One reason for the rise in assets is

the rise in sales of new life insurance. New sales of policies will total about \$33-billion in face value this year. That's 7% more than the previous record, racked up in 1950. The companies now have about 88-million policyholders, whose policies have a total face value of \$275-billion.

• **Investment Shifts**—You can readily see the major postwar portfolio trends by comparing investment holdings of the U.S. life companies this year (estimates again by Dr. O'Leary) with six years ago.

Outstanding is the decline in U.S. governments and the gain in corporate bonds and in mortgages. Over the six-year period, the companies have increased holdings of tax-exempts a little, though holdings of municipals actually declined this year.


• **Stocks**—Today the number of companies empowered by state laws to buy common stocks is much greater than in 1946. But the amount of preferred and common equities held by the life companies has increased only about \$1-billion in the last six years, and is still only about 3.2% of total assets.

Stock buying, to the extent that it has been practiced, shows life insurance's search for high investment yield. Returns on investment declined for many years. World War II heightened the problem; the only new investments available in volume were U.S. governments, and life companies loaded up with them. These holdings brought low yields. Average yield on all life insurance investments fell to 2.92% in 1946, compared to 5.05% in 1929.

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• Here's complete OXYGEN breathing equipment for you and your associates—all in a handsomely appointed luggage case of the finest leather! Scott AVIOX assures you comfort and safety at higher, smoother, more economical altitudes. Check these "designed-for-flight" features: portable, ready for use, equipped with Scott Disposable ECONOMASKS. Operated in flight by pilot or passengers. And it's immediately available.

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Don't torture yourself worrying about the possibility of your travel funds being lost, destroyed or stolen. Carry absolutely safe National City Bank Travelers Checks. Spendable for anything, any time, in any country. You get a full refund if they are lost or stolen. Good until used. Cost only 75¢ per \$100. Buy them at your bank.

The best thing you know
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NATIONAL CITY BANK
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Backed by The National City Bank of New York
Member Federal Deposit Insurance Corporation

**"... another headache, how
to show book values of se-
curities if there is a down-
turn . . ."**

LIFE INSURANCE starts on p. 53

eminent bonds in the postwar years and cutting down on purchases of new governments, the life companies got funds to finance postwar business expansion and the housing boom. This soon began to help average yield.

• "Accord"—Early in 1951, the sale of governments by the life companies became expensive. The far-reaching effects of the Federal Reserve's "accord" with the Treasury largely froze them to their holdings of long-term governments, since prices dropped sharply and they could sell them only at a loss. (This didn't completely stop them from selling, but it cut their willingness to make new loans.)

In 1952 the companies failed to buy their previous quota of GI mortgages, on which the interest rate is fixed at 4%. They had reached the point where they could easily get better yields elsewhere.

This year industrial bonds took the center of the stage, climbing over \$2.5-billion (compared to net increases of \$1.9-billion in 1951 and \$845-million in 1950).

• "Cash Flow"—One thing that investment people like to know about the life companies is how much "additional money" they can be expected to put into the capital market each year. This "cash flow," O'Leary figures, is now running about \$7-billion a year, and it "very likely will increase" during the next few years.

As he defines it, cash flow is (1) the net increase in assets, and (2) mortgage amortization and bond maturities (already-existing assets that change from investments into cash during the year).

This definition doesn't allow for redemption of securities prior to maturity, for mortgage prepayments, for switching into new investments from old, or for borrowing to invest.

O'Leary argues, however, that these latter factors depend on market conditions, and cannot be predicted. Furthermore, such redemptions and borrowing may well be, from the viewpoint of the capital market as a whole, turnover of investments which had already been committed rather than additional funds fed into the market. He figures his \$7-billion is the "hard core" of funds almost certain to come into the hands of the life companies—and that will nearly all be invested.

Two major factors make up his cash-flow figure:

• The \$4.9-billion increase in assets, representing what's left after death claims, annuity payments, and other expenses have been deducted from incoming premium payments and investment income.

• About \$1.5-billion of mortgage amortization.

• Earnings—O'Leary also estimates 1952 investment earnings of life companies at about \$2.2-billion, up about \$200-million from 1951. He estimates their 1952 rate of earnings before taxes at 3.25%, up from 3.18%. After taxes, the 1952 rate is 3.05%. He points out that the big boost in federal income tax on investment income of insurance companies, which started in 1950, has absorbed nearly half the gain in pre-tax investment income since 1947.

Although interest rates have climbed since the 1951 "accord", the industry spokesman isn't very enthusiastic. He considers that the boost is "of very modest proportions," and harks back wistfully to the 5.05% average yield prevailing in 1930. If this were now prevailing, states O'Leary, the companies would earn another \$1.2-billion on their present investment portfolio. That's more than one-and-a-half times what U.S. life companies are expected to pay their policyholders in dividends this year.

• Book Values—The industry has still another investment headache—the problem of how to show book values of securities if there should be a general business downturn.

At present, most state insurance departments prescribe that bonds considered "amply secured" by the valuation committee of the National Assn. of Insurance Commissioners may be carried on the yearend balance sheet at amortized cost. Almost all other securities must be carried at yearend market prices.

But if a serious economic decline came along, many bonds would drop out of the "amortizable" group and thus would have to be carried on the books at market price. The companies argue that it's ridiculous to carry securities on a liquidation basis, since they are long-term investors. This method of carrying securities cuts down on the companies' safety margin—their "surpluses" (capital funds).

So the industry is proposing a new approach to the National Assn. of Insurance Commissioners: All bonds not in default would be carried at amortized cost. Reserves (based on past investment experience) would be set up to absorb losses as incurred. If bonds are actually sold below book value, loss would be absorbed by reserve.

Life-insurance men don't expect that this plan will be completely accepted by state insurance officials. But they hope some compromise may emerge.



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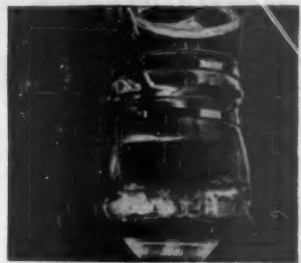
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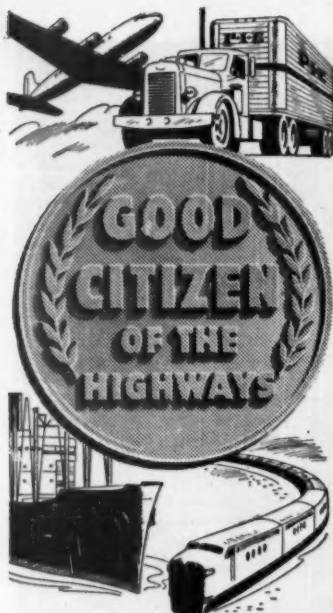
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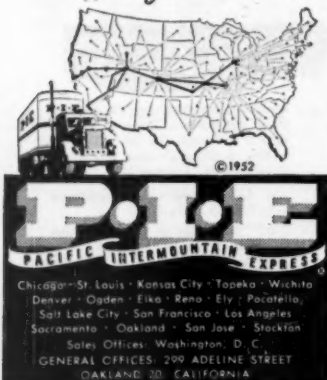
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Still Growing

Bankers Trust arranges to absorb Bayside National Bank, adding to its Queens branches.

New York City's eleventh bank merger since the end of World War II is in the cards, if the necessary O.K.'s can be secured.

Feb. 2 is the date set for the Bankers Trust Co. (the nation's ninth-largest bank in point of deposits) to absorb, by an exchange of stock, the Bayside National Bank, a leading locally owned bank in the borough of Queens.

Directors of the institutions jointly announced the arrangements last week. Permission must still be secured from federal and state authorities, along with the approval of holders of two-thirds of the outstanding stock in each bank. Both sets of stockholders will vote at a special meeting on Jan. 28. Wall Street expects no hitches to develop.

Bayside National would be the fifth institution acquired by Bankers Trust since it became branch-minded in 1950 (BW—Aug. 26 '50, p. 65). Before that, Bankers Trust had specialized in wholesale banking service for large corporations, big individual depositors, and out-of-town banks. It has maintained only four offices, each located in a principal banking area of Manhattan and none of the neighborhood type.

Since that era, the bank-buying program has definitely moved Bankers Trust into branch operation. There are 14 offices today, seven of them in Queens, the city's fastest-growing area. If the Bayside deal goes through, the Bankers Trust branch operation in Queens will be still further strengthened by the addition of \$26-million in deposits, 35,000 accounts, four offices.

Bayside National has outstanding 56,000 shares of \$12.50-par stock, whose book value is around \$25. And it was quoted at \$40 bid when the merger was announced. Bankers Trust shares had a book value of \$57.66 at the end of September, and were selling at \$54 when the merger statement appeared. Bankers Trust has offered four-fifths of a share of its own stock for each share of Bayside's. On the basis of the market value of the Bankers Trust shares, this would mean a purchase price of roughly \$2.4-million; on the basis of book value the cost would be about \$2.6-million.

All employees of Bayside National have been asked to join Bankers staff. J. Wilson Dayton, chairman and president, would become a vice-president and remain in charge of the four offices that would become Bankers branches.

PHA Bows to Higher Interest Rates

The Treasury isn't the only federal agency that has been forced to take a realistic attitude toward rising interest rates. The Public Housing Administration has decided to give up its current 1.2% interest ceiling on the cost of temporary borrowing by local housing authorities.

As a result, \$208-million notes by 38 local housing authorities were sold to underwriters last week at rates ranging from 1.19% to 1.42%, with most notes going between 1.30% and 1.40%. Terms of the notes ranged from three to 11 months, but most were for four-and-a-half months.

A previous \$139-million offering by 27 cities, in October, was called off because dealers in municipals wouldn't bid for most of the notes at a 1.2% rate. They felt this was out of line with the market.

• **Bait**—By this week, as the money market pinch continued, it was obvious that PHA, which in effect guarantees the issues of the local authorities, couldn't make the 1.2% ceiling stick.

The Treasury paid nearly 2.14% on its latest issue of 91-day Treasury bills early this week, a 19-year high. This is the third straight week in which the bill rate continued to climb to new levels.

Investors in high tax brackets who had any short-term money would be tempted to invest it for 91 days at an annual rate of 2.14%—even though the interest is taxable—rather than get only 1.2% tax-free and have their money tied up longer.

FPC Gas Jurisdiction Will Go to High Court

The highly controversial question of whether the Federal Power Commission has jurisdiction over natural gas producers who sell to interstate pipelines seems ready to run the whole legal gamut. Last week an FPC spokesman said it was likely that the Supreme Court would be asked to rule on the case, no matter what decision is given by the federal court of appeals, which is now hearing the matter.

The issue before the court is whether FPC has jurisdiction over prices charged by Phillips Petroleum Co., a big producer of natural gas. This is vital to the gas industry, because if FPC does have the power to set prices, it might well set them so low that oil companies that produce natural gas would refuse to sell it to the pipelines. That would make it harder for pipelines to supply increas-

ing demand for gas. Right now, a number of large producers are staying out of the pipeline market for this reason.

Natural gas men point out that the oil companies don't have to sell to interstate pipelines. They could sell to intrastate markets. The chemical industry, for example, could take a lot of gas.

However, various consumer groups hope that if FPC does get the power to control prices of gas sold to the pipelines, the long-range effect would be to keep down prices to the consumer.

That's why the Public Service Commission of Wisconsin and the cities of Milwaukee, Detroit, and Kansas City appealed from FPC's own ruling last year (BW-Jul.21'52,p40) that its powers are not that broad. These areas are ultimate consumers of gas that Phillips produces. Their opponent before the court is FPC itself, which is in the peculiar position, for a government agency, of trying to prove it has no jurisdiction.

FINANCE BRIEFS

"Prohibitive taxes" are the reason given by Sears, Roebuck & Co. for its current decision to confine its building of new stores to one large outlet in San Antonio. Gen. Robert E. Wood, president, says: "Sears paid \$120-million in federal taxes for a six-month period last year. You can't take that much cash money out of a company and still expand."

Chicago & Eastern Illinois RR is earning a record profit on its freight haul. The profit per train mile reached \$2.87 in the first 10 months of 1952, according to president Clair M. Roddewig. In the same 1951 period, earnings were \$2.59; in 1948, before complete dieselization, they were only \$1.39.

Mackinac Bridge Authority, new Michigan agency, will offer between \$90-million and \$100-million in revenue bonds for public sale early next year. Proceeds will be used to build a 5-mi. bridge linking the Upper and Lower Peninsulas at the Straits of Mackinac. Bridge revenues, the sole security behind the issue, are expected to pay off all bonds within 20 years. However, the offering will probably have some maturities ranging up to 35 years.

Long Island Lighting Co. has arranged a \$40.3-million credit with five banks for temporary financing of its heavy 1952 construction program. The utility agrees to pay the commercial prime rate prevailing at the time each loan is made. Borrowing costs, though, are never to exceed 3 1/2%.



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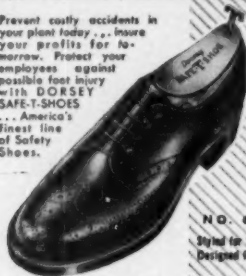
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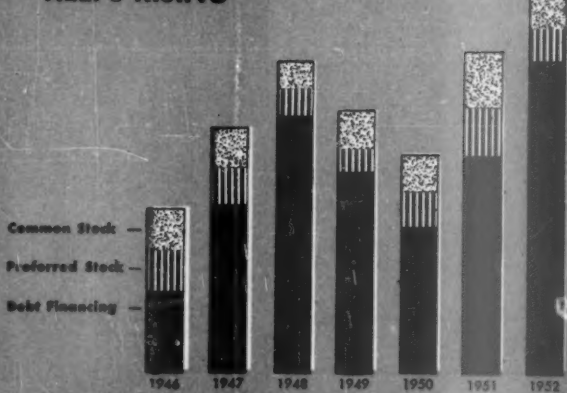
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NEW CORPORATE FINANCING KEEPS RISING



Source: Commercial & Financial Chronicle; Business Week

Biggest Year Since 1929

The 1952 crop of new corporate issues will be second largest in history. That means prosperity for the underwriters although many profit margins were thin.

Wall Street's underwriting houses didn't have to send out for any crying towels this week when they started to balance their 1952 ledgers.

This year produced the second-largest flood of new corporate flotations ever recorded in Street history. When all odds and ends have finally been tallied, it will probably be found that the 1952 volume of new security offerings climbed to—and perhaps even topped—a fantastic \$7.5-billion (chart, above).

• **Near-Record**—That's close to \$1-billion above last year's handsome total, and not so far under 1929's record-breaking figure of \$10.4-billion. Remove from the latter the \$2.2-billion flood of securities which emanated then from the investment trust trade and you'll find that 1952 was only \$630-million, or about 8%, lower. Unlike 1929, moreover, 1952 is closing with relatively little of its huge outpouring of new issues still on dealer shelves.

• **Sour Note**—However, life hasn't been all peaches and cream for underwriters.

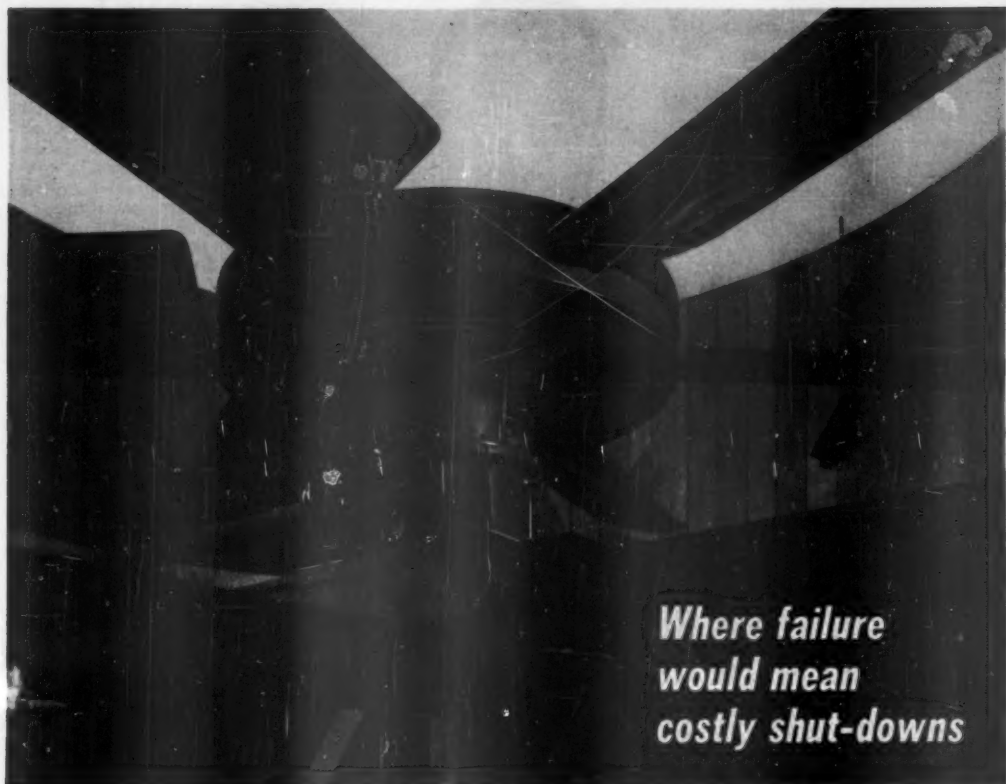
Not all the offerings they've been called upon to handle have proved quick-profit, out-the-window deals. More than a few syndicates have been stuck with definitely sour deals that produced little

profit—and often chalked up actual losses wiping out the profits of successful underwritings. There also were deals that weren't exactly busts but that turned into expensive, worrisome selling jobs before they finally could be distributed.

Underwriting margins remained thin on balance. In some instances realistic bidding assured the houses handling the deals of satisfactory spreads between the cost of the issues and the price obtained for them from the public. But there weren't many of them. And this hurt, because bonds made up some 75% to 80% of new offerings, despite a rise in the amount of stock issues—ordinarily far more lucrative to handle.

• **Double Blow**—Even more important, however, privately arranged seller-to-buyer deals this year continued to increase. They are now believed (though it is hard at the moment to dip up any definitive full-year figures) to have accounted for at least 50% of all 1952's new corporate financing. And this has been a double blow to the trade.

First, it has obviously taken much in the way of potential new-issue commissions out of Wall Street's pockets. That's true even though many smart

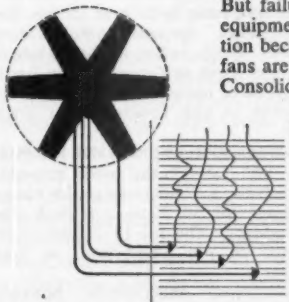


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Streeters some time back decided to stop moping over what was happening and benefit as much as possible from the trend by midwifing such deals on a fee basis.

However, the fees that you receive for doing that job aren't very large, even though they are "riskless". They come nowhere near replacing the commissions the underwriting houses would be making if all the private-placement deals were handled along traditional lines.

The other catch is this: The private-placement trend has substantially upped the over-all risks of the underwriting business.

To a great extent, the issues involved in direct deals come from "prime" borrowers. That means underwriters miss a lot of many virtually riskless, quick-profit deals. As a result, underwriters have depended more and more on the riskier new offerings.

• **The Proof**—That's obvious from a look at the reports published constantly on private sales. This year alone (and this is only a sampling) saw these financings via the direct-to-seller route:

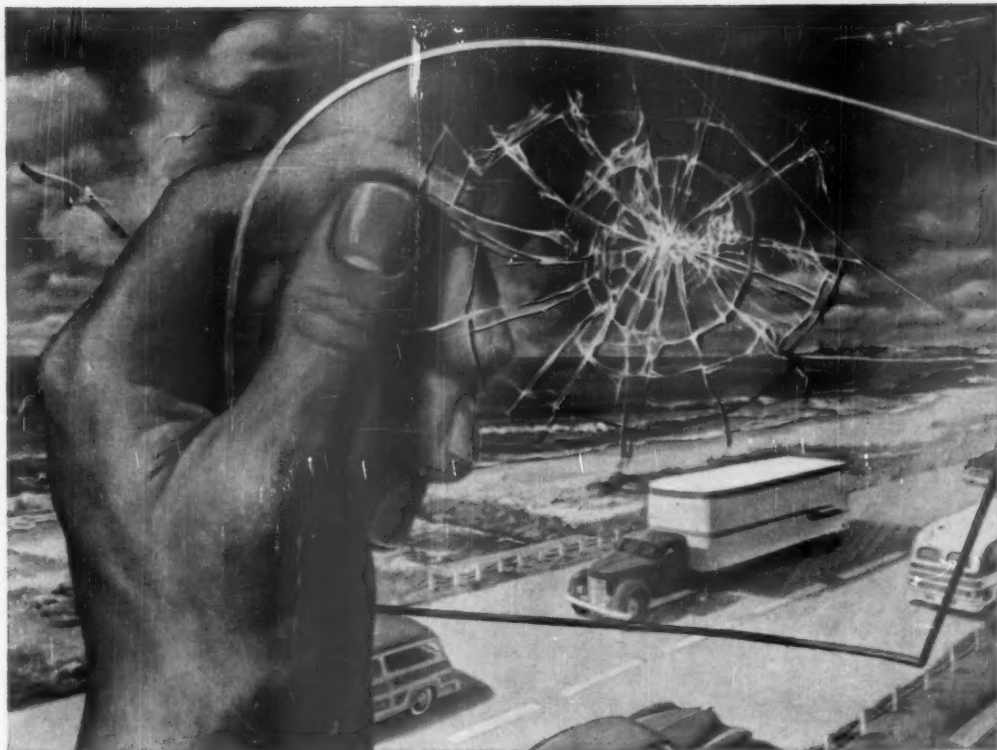
- Issues of \$50-million or higher sold by: American Cyanamid Co., International Business Machines Corp., International Harvester Co., Monsanto Chemical Co., Remington Rand, Inc., Reynolds Reduction Co. (Reynolds Metals Co. subsidiary) and United States Rubber Co.

- Offerings between \$25-million and \$40-million: Armco Steel Corp., Associates Investment Co., Budd Co., Cities Service Co., Connecticut Light & Power Co., Crown Cork & Seal Co., Inc., El Paso Natural Gas Co., W. R. Grace & Co., Ketchikan Pulp Co., National Gypsum Co., Texas Eastern Transmission Co., and Texas Gas Transmission Corp.

- **Municipals Active**—Those underwriters primarily engaged in handling the public borrowings of state and local governments have been even busier this year than corporate underwriting houses. Never before in the history of the municipal new-issues market has it been called upon to absorb so large an amount of new flotations in a single year.

Offerings of long-term municipals in the first 10 months alone exceeded slightly the \$3.7-billion of similar underwritings for all 1950, previously the record-year. The full-1952 total is expected to run \$4.5-billion, or even higher.

Municipal underwriters, however, have had a much less satisfactory experience in 1952 than those handling corporate offerings exclusively. Big unsold blocks of new issues, have hurt their operations (and earnings) at a time when prices were running against them due to rising interest rates.



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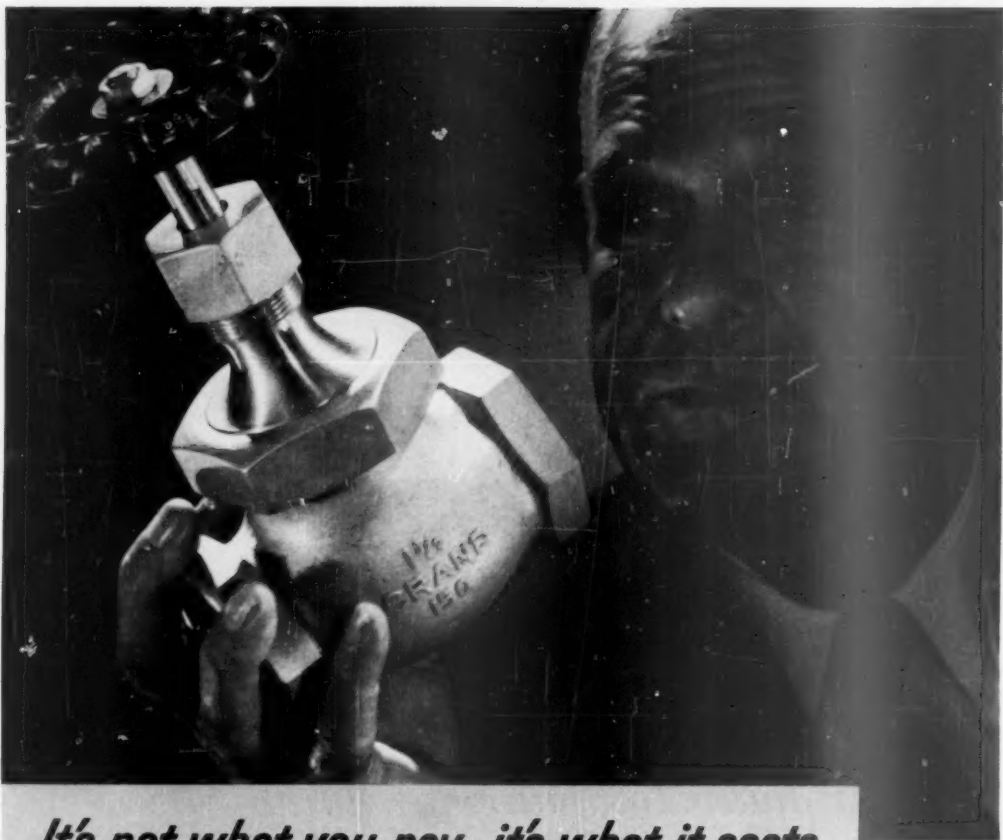
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INTERNATIONAL OUTLOOK

BUSINESS WEEK
DECEMBER 27, 1952



The United Nations recessed this week after taking the shock treatment from the Russians.

In a "midnight" move last Sunday, Gromyko accused the U. S. of mass murder in Korean prison camps and demanded that the Assembly take up his charge.

You can't write off these tactics as nothing more than a new piece of Soviet propaganda. Gromyko's move looks like part of a Soviet plan to:

- Block any further Indian efforts to talk the Chinese into a compromise on the prisoner of war issue.
- Increase doubts among our allies about U. S. ability to handle the tricky Korean problem.

Some observers think the Russians will carry their shock tactics even further. They say that Gromyko was preparing the way for a Russian walkout when the Assembly reconvenes in February.

Whether that happens or not, you can be sure of this: Moscow will use every ruse to improve its bargaining position in Korea. Before Stalin settles there, he'll try desperately to split the Western camp.

It's even possible he'll angle for separate negotiations on Korea with London and Paris. To lure France away, he might offer a deal on Indo-China.

The U. S. will be paying more attention to Indo-China next year.

John Foster Dulles, new Secretary of State, apparently is convinced that the present defensive policy is a losing proposition, that the Communists must be beaten soon if all Southeast Asia is not to be lost.

It's too early to tell what measures Dulles will recommend. But Washington officials think his plans will include:

- Asking France to send at least two additional divisions to Indo-China. These divisions might be backed by U. S. supply troops.
- Giving Indo-China priority, second only to Korea, for large, new shipments of U. S. planes and other war equipment.
- Warning Communist China, if necessary in a joint U. S.-British-French ultimatum, against any direct invasion of Indo-China.

A program like this could bog down over French reluctance to send more troops to Indo-China.

The war there is plenty unpopular in France. In fact, there's far more pressure on the Pinay government to withdraw than to step up the fighting. That's because French resources, both military and financial, are so heavily strained.

For France, though, the alternatives aren't much better. If things go on as they are, the French could lose by default within a year or two. On the other hand, it's hard to see the French making a deal with Stalin.

Paris will be forced to listen to any U. S. proposal that holds out hope of ending the war and bringing the French Army home.

In the end, the decision may rest on how much help—in arms and money—the U. S. offers.

Washington fears more bloodshed in Tunisia and perhaps Morocco (BW-Dec.20'52,p110). Nationalist temperatures jumped several degrees last weekend when the Bey of Tunis knuckled under to Paris pressure, agreed to accept French reforms.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

DECEMBER 27, 1952

The U.S. has urged the French to use a go-slow policy in Tunisia. But now the Administration has decided to pass the crisis on to Eisenhower.

It may be that the French will take advantage of the U.S. interregnum to really put the screws on North Africa. That might mean an even more serious situation there, to say nothing of more squabbling between Paris and Washington.

The U.S., Britain, and France may be getting set to lift all restrictions on West German industry—save atomic energy and weapons.

Easing the ban was planned back in 1949 to take effect early in 1953 or after a peace treaty, whichever came first. Now it's reported that the Big Three agree that lifting restrictions would convince West Germans they're being treated as equal partners with the West.

Important effects of such a move: West Germany could build any number of ships of any size, could resume production of precision roller and ball bearings.

German businessmen continue to look to the East. Last week they set up a committee (with government backing) to oversee, if not expand, trade with traditional customers like Russia, China, Eastern Europe.

Called the "East Committee," the group is studded with top-drawer business leaders and companies. It will represent German business as a whole in dealing with the Soviet bloc, hammer out payments agreements, send unofficial trade missions. Already a China subcommittee is studying reciprocal trade with Peiping.

The East Committee promises strict adherence to allied embargo rules. But the mere fact of the group's existence underlines the siren call of Eastern trade to the German business community.

Talk in London banking circles sets the date for sterling convertibility, with a floating exchange rate, at soon after the coronation in June.

There's a big "if"—if Churchill can get an "adequate" stabilization fund loan from the U.S. during his February visit to Washington. An "adequate" dollar fund is described as between \$2-billion and \$3-billion.

Leading British newspapers don't believe that any genuine plan along these lines exists. But they've been roundly condemned for their doubts by Chancellor Butler.

Private British financial links with Wall Street are growing.

Two weeks ago, Kuhn, Loeb & Co. and London investment banker Siegmund Warburg formed a joint investment company in Toronto. Warburg will also have important responsibilities for Kuhn, Loeb in Europe.

Now, another London investment bank, J. F. Thomasson & Co., has set up a New York firm of the same name jointly with Kidder, Peabody & Co. interests.

Arab oil countries are expected to get some \$600-million in royalties and profit shares this year from U.S., British, and other foreign oil companies.

The influx of that kind of cash into the undeveloped Middle East dwarfs the entire activities of the International Bank and Point Four. It indicates a dramatic increase of purchasing power in the world—at least for the Arab sheiks who get the most benefit.

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This left it with a profit after taxes of \$620,000.

Subsidiaries That Slash Your Taxes

In the past few months dozens of U.S. companies have been doing just what the fictitious company did in the example above. They're setting up what tax lawyers call WHTC's—Western Hemisphere trade corporations—to handle their foreign sales in this hemisphere. By doing so, they make themselves eligible under the law to pay 27% to 53.7% lower taxes.

The Bureau of Internal Revenue made provision for this tax-saving device in 1942. Since then, about 700 companies have taken advantage of it. Among them: General Motors Corp., General Electric Co., Firestone Tire & Rubber Co., Sterling Drug Co., Sharp & Dohme, Inc., and Monsanto Chemical Co. Recently, there has been an especially heavy rush.

• **The Law**—Behind all this is Section 109 of the Internal Revenue Code. This section provides that any U.S. company earning at least 95% of its income in the Western Hemisphere, but outside the U.S., can set up as a WHTC. This qualifies it for a special tax deal. It is exempted completely from excess-profits taxes, pays normal and surtaxes on only 73% of its income. This means that it pays only

about 38% in taxes on profits earned in the Western Hemisphere—instead of the 52% to 82% that a U.S.-operating company would have to pay.

The government set up this system in order to encourage U.S. firms to do business in Latin America and Canada.

• **Who Qualifies**—Just about any company that does business in this part of the world is eligible to take advantage of the special setup. Some companies qualify automatically. An example is Cerro de Pasco Corp., an American company that gets all its income from Peruvian mines.

If a company also does business in the U.S., or in foreign countries outside the Western Hemisphere, it can still get in on the WHTC deal by organizing a subsidiary. The subsidiary must meet these conditions:

• It must be incorporated in the U.S.

• All of its business must be done in the Western Hemisphere, outside the U.S. Puerto Rico is included in this definition, Bermuda excluded.

• It must derive at least 95% of its income from sources outside the U.S.

• It must earn 90% of its in-

come from "the active conduct of a trade or business."

• **Profitable Deal**—If you can meet these requirements, or if your subsidiary can, you're in for a tidy saving. For example, one big U.S. manufacturer easily saved itself \$500,000 through its WHTC. And \$500,000 is a lot of money when you figure that the parent company would have had to up its gross sales in the U.S. by \$15-million to make that much after taxes.

Companies in lower tax brackets can't show figures so impressive as these. And although several medium-sized companies that have set up WHTC's claim that it has been a profitable deal, management consultants and lawyers who have studied the question feel that if a company can't expect to get at least a \$100,000 gain, it had better stay out. Added bookkeeping and personnel costs would probably eat up most of the profits under that figure.

• **Arrivals**—U.S. chemical companies are leading the present rush to form WHTC's. They are out looking for markets for their alkali, now that the government has broken up the U.S. Alkali Export Assn., which used to han-

die all its members' exports. And most of them have decided to kill two birds with one stone: They are finding new markets and cutting down their tax bills at the same time. Diamond Alkali Co. and Dow Chemical Co. have already set up WHTC's. Westvaco Chemical Division (Food Machinery & Chemical Co.) is about to get under way; and Columbia-Southern Alkali Corp. and Mathieson Chemical Co. are making plans to do so in the near future.

But they aren't the only ones getting in on the deal. Cooper-Bessemer Corp., Ohio manufacturer of engines and compressors, set up a WHTC in September; A. L. Smith Iron Co. is doing the same. And management consultants, trade organizations, lawyers, and bankers are getting inquiries every day from big and small companies in various fields.

• **Paper Work**—A lot of these companies, upon inquiring of experts, find that the three qualifications which a WHTC must meet are not so easy to fulfill as they might seem at first glance. Some of the terms are very vague.

The Bureau of Internal Revenue won't say whether or not a company qualifies until it is actually in operation. And worse still, the tax office in Chicago is apt to interpret the amendment one way, New York another, Cleveland still another.

The toughest job is to show that all but 5% of your income comes from outside the U.S.

The bureau's general rule is that the source of income from goods is the place where they were sold. Thus, the problem is to find out just when and where the sale took place. The present rule: The sale is actually made at the place where the seller surrenders all right, title, and interest to the buyer.

• **Way Out**—Expert legal advice is needed in setting up a foolproof system of sales and payments to meet this requirement. The two best methods are to set up a branch in every country where sales are made, or to set up one branch in one Western Hemisphere country with agents in the other countries.

If a WHTC opens a branch in every country, here's what happens: The U.S. parent company ships the goods to the WHTC main office in the U.S. and bills it for them. The WHTC ships to its branch abroad. Then the branch sells the goods to the customer. This system puts both the parent company and the WHTC in the best legal position, leaving no doubt as to source of income. But it costs a lot of money,

is hardly worthwhile unless substantial sales are made in each country.

Having one branch (or maybe two or three), and agents elsewhere, is almost as safe as the multibranch method, and it's much cheaper. So lawyers usually recommend it as the best method for medium-sized companies. This is the system that Cooper-Bessemer is now using. It has a branch in Sao Paulo, agents throughout the rest of Latin America; and soon it will open a second branch at Caracas to handle the northern part of the continent. Under this system goods are shipped by Cooper-Bessemer's WHTC to its branch, which sells them through its agent.

• **Other Methods**—A lot of small companies are interested in methods that involve no overseas branches at all. There are two methods that have worked for some companies in the past. One way is for the WHTC to ship goods from the U.S. f.o.b. the foreign port. The other is merely to put a clause in the sales contract saying that title remains with the WHTC until delivery is made. Some Internal Revenue offices might O.K. these methods, but others might not. So most management consultants and lawyers advise the costlier but safer methods.

• **Pitfalls**—But it isn't enough for a WHTC to get its selling setup on a basis that's acceptable to the bureau. It can also get into trouble on its purchases. A few years ago the bureau turned down a WHTC's claim for tax exemption because a small part of its purchases were made in Europe. The tax collector said it constituted doing business outside the Western Hemisphere. This ruling was based on a delicate distinction: A c.i.f. shipment (one that includes freight and insurance in the original price) involves doing business abroad; a shipment made f.o.b. a Western Hemisphere port doesn't.

Companies with a WHTC also have to make sure that 90% of its income comes from selling, and that not more than 10% of it comes from investments, royalties, or other sources that the bureau doesn't count as "active conduct" of a business.

All this red tape, and the necessity for legal advice at every turn, discourages some companies—especially the small and medium-sized ones—from setting up Western Hemisphere trade corporations. But as long as the excess-profits tax stays on the books, a lot of others will be willing to suffer headaches and big lawyers' bills to get at least part of their business out from under.

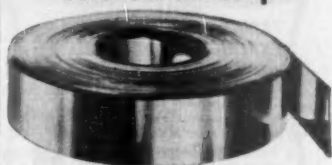
Invoice	
Polishing	\$
Die Life	\$
Down Time	\$
Short Footage ...	\$
Total:	\$ \$

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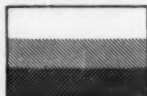
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Steel Strides...

... are on the way in India now that financial bottlenecks in expansion plans have been broken.

For several years now India has been trying without success to get a steel expansion program under way. The country has plenty of high-grade iron ore and coking coal, yet it has only been producing about half its requirements of steel. The problem: a shortage of capital.

Now it looks as if the way is clear for a three-pronged program, which will push India's finished steel capacity up from 1.1-million long tons a year to 2-million tons.

• **ISCO Plan**—Last week the World Bank put \$31.5-million of its money behind one of the three projects—expansion and modernization of the Indian Iron & Steel Company, Ltd. This World Bank loan (for 15 years at 4½%) will cover the foreign exchange needed for ISCO to (1) expand finished steel capacity from 350,000 tons a year to 700,000 tons, and (2) boost blast furnace capacity from 640,000 tons of pig iron a year to 1.4-million tons.

To cover local construction costs, ISCO is getting about \$30-million from the Indian government—\$20-million as an interest-free loan and \$10-million with interest at a low rate. The company, which is merging Jan. 1 with the Steel Corp. of Bengal, Ltd., will put up some \$5-million of its own money.

• **Tata Works**—India's second project is being carried out by the Tata Iron & Steel Co., Ltd. Tata has a plan to boost finished steel capacity from 750,000 tons a year to 930,000 tons. The scheme includes a strip mill and a tube mill.

Total cost will be about \$65-million. The Indian government is lending Tata up to \$25-million. Tata will provide the rest from its own resources, except for several million dollars that Stewarts & Lloyds, Ltd., big British steel firm, will put into the tube mill.

• **Government Scheme**—The third project, which is still in the planning stage, is for a \$100-million to \$120-million dollar steel works, with 350,000 tons finished steel capacity, which would be jointly owned by the Indian government and private foreign interests.

The Indian government is ready to put up half the money for this steel plant, or what's needed to pay local construction costs. But New Delhi is trying to find foreign interests that would be willing to provide (1) the



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capital to cover the cost of needed foreign equipment and (2) the technical skill to build the plant and then run it.

Indian government officials have been dickered for some months with both Japanese and U.S. steel interests. So far there doesn't seem to be much enthusiasm in this country. But one Japanese group (it has some American financial backing) is keen on the project.



Changing Chairmen at



British Motor Corp.

William Richard Morris (top), the first Viscount Nuffield, announced last week that he was ready to step down as chairman of British Motor Corp., Britain's largest auto manufacturer and largest in the world behind Detroit's Big Three. The 75-year-old peer, one of Britain's great philanthropists, fathered Morris Motors, Ltd., headed Wolseley Motors, Ltd., M. G. Car Co., Ltd., and others of the Nuffield Group that merged last year with Austin Motor Co., Ltd., to form British Motor Corp. Lord Nuffield says his successor will be Leonard Lord, head of Austin (bottom).

Too many parts too large or too small?



Model 247B277 indicates eight dimensions simultaneously on 90 mm cartridge case.

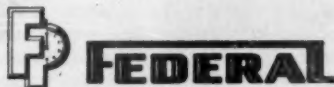


No flush pin gage can ever measure as accurately as Model 75 Indicating Depth Gage.

Before modern dimensional control methods, manufacturers had a costly problem disposing of out-sized parts their machines produced. And, with old fixed-type gages, the large number of rejects spoiled many an otherwise good profit picture.

Today Federal Indicating Gages protect your profits. These gages control dimensions at the machine and warn the operator to make necessary adjustments to bring his workpieces within limits *before* scrap is produced. That is the effective way to conserve profits by eliminating scrap, speeding assembly time, and increasing the efficiency of your present production equipment. For thousands of progressive plants, the problem of parts too large or too small has vanished with the introduction of dimensional control.

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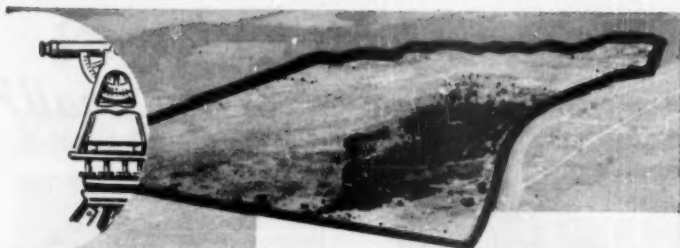
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Company _____
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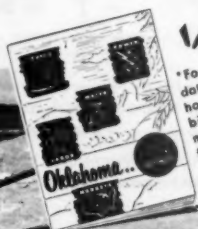
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The Oklahoma Planning and Resources Board is in business to serve your Midwestern and Southwestern industrial needs. Your own specific industrial survey will be made upon request, without obligation.



*For further data on Oklahoma's annual 50 billion dollar market area, write for Oklahoma's "State of Industry."

Make More Money IN OKLAHOMA

BUSINESS ABROAD BRIEFS

Oil hunt: Dominion Oil Co., a Standard Oil Co. (N. J.) affiliate, has begun an underwater survey in the narrow straits separating Trinidad from the mainland of Venezuela. Dominion says it has "high hopes" for a strike. . . . Texas oilmen, drilling in the Spanish provinces of Navarre and Logrono, report small strikes in several spots. They're optimistic enough to send home to Dallas for more equipment. . . . West German wildcatters are moving into Spain, too. They've signed up with Madrid to begin prospecting in the Ebro Valley.

The British lost out on a fat South African Railway Administration order for steel rails; Bethlehem Steel Co. and U.S. Steel are getting pieces of an \$8.5-million purchase. South Africa refused to buy British because of long delivery schedules.

French sailors have run afoul of our McCarran immigration law's anti-Communist screening. The crew of the *Liberte* is up in arms, its union committee has ordered crewmen not to submit to shipboard examinations by U.S. customs men. French Line officials say they don't know how many Communists are aboard—but they're worried about the reaction if the crew can't have shore leave in the U.S.

Boom year in Venezuela: Volume of business on the Caracas stock exchange doubled in 1952; stock prices jumped an average of 20%. . . . Bank deposits passed the billion Bolivar mark (about \$33-million) for the first time. . . . Profits of industrial and commercial companies, including foreign oil concerns, showed a 40% increase over 1951, reports the government income tax administrator.

Educational TV gets started in Rio de Janeiro early in 1953. Allen B. DuMont Laboratories, Clifton, N. J., has sold a transmitter, full studio equipment, and a mobile unit to the Federal District's educational station.

Latin America's most successful new shipping company, Flota Mercante Grancolombiana, faces a breakup. Owned 45% each by Venezuela and Colombia, and 10% by Ecuador, Grancolombiana operates 35 ships, just a year ago announced a \$30-million expansion plan (BW-Jan.19'52,p170). Now it seems that the Venezuelan government is unhappy with the setup, threatens to pick up its ships (nearly half the fleet) and go home.

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Johns-Manville Asbestos Universal Movable Walls are readily available. Made of noncritical materials, they give you complete freedom in planning or rearranging space

● Reallocation of existing space and partitioning of new space can be done easily and quickly with Johns-Manville Universal Movable Walls. Made of asbestos, these walls are ideally designed to help business and industry meet the space problems involved in the defense effort.

The flush panels have a clean, smooth surface that's hard to mar, easy to maintain, and are extra strong to withstand shock and abuse. They're light in weight, easy to erect and relocate. The "dry wall" method of erection assures little or no interruption to regular routine.

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An estimate will convince you that the cost of J-M Movable Walls compares favorably with other types of wall construction. For full details, write Johns-Manville, Dept. BW, Box 158, New York 16, N. Y. In Canada, write 199 Bay Street, Toronto 1, Ontario.



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BUSINESS WEEK.

Business by and large is a local affair, and local news takes
a large place in every businessman's thinking.

Here, from a sampling of cities around the country, are some
of the local events that made news last week.

More Air Space

CHICAGO—The city's long-de-
layed plan to develop a second airport
got a green light last week. Midway
Airport, southwest of the Loop, is
terrifically crowded even under normal
circumstances; when the weather is bad,
conditions become almost intolerable.
In 1942 the Defense Plant Corp.
created O'Hare Field, northwest of the
city, as part of the site of a new plane
factory. After the war the field, minus
the factory site and 88 acres withheld
by the Air Force, was decided to the
city—with the proviso that it revert to
the government in an emergency. The
city spent \$20-million to enlarge and
develop the field for use by com-
mercial planes—at which point the air-
lines refused to use the field as long
as military and nonmilitary flying were
mixed there.

Last week the Air Force agreed to
relinquish all claim to the field, and
to seek another location for a separate
military airport. The airlines have
agreed to begin using O'Hare as a
secondary field for trips unable to use
Midway on account of pile-ups, as soon
as baggage- and passenger-handling
facilities can be set up. But they still
refuse to schedule any flights into or
out of O'Hare until the jets get out.

Dream Realized

HARTFORD—Back in July, 1950,
Hartford businessmen cheered the news
that Hotels Statler Co., Inc., would
build a new \$5-million, 16-story, 455-
room hotel in the city. But as one de-
lay followed another, the cheers turned
to uncertainty. First, the National Pro-
duction Authority turned down Statler's
request for priorities on steel and other
materials. Hopes brightened again as
steel became available, and Statler called
for bids. But all the bids were too high,
and Statler threw them out. Then the
company issued another call for bids,
and a "partial contract" was awarded.
But time dragged on, and nothing hap-
pened. Hartford wondered if the whole
project had fallen through.

Early this month the company finally
announced that construction would go
ahead. And last week Hartford watched
happily as ground was finally broken.
The new Statler is the largest hotel to
be built in New England since the Bos-

ton Statler, way back in 1927. But
most important to Hartford is the fact
that the city will now have a place to
accommodate really large organizations
for meetings or conventions. The
Statler's largest room will hold 1,300
people; biggest in present Hartford
hotels will hold only about 500.

No Fishing

PORTLAND, ORE.—One of Ore-
gon's most colorful customs is on the
way out. But, in the process, several
local Indian tribes will get a big cash
windfall.

For centuries the Indians have been
accustomed to net salmon in large
quantities at Celilo Falls, on the Col-
umbia River about 100 mi. upstream
from Portland, during the annual
salmon run. But now the government
is building a new dam at The Dalles,
just below Celilo; when it is finished,
the water backed up behind it will
inundate the Celilo fishing grounds.

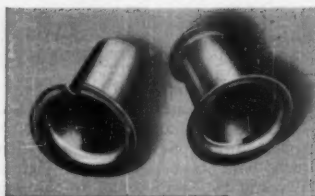
Early this month representatives of
the Indian tribes signed agreements
with the U.S. Corps of Engineers to
close out the fishing rights that were
first recognized by treaty in 1855. In re-
turn, the tribes will receive a total of
\$23,274,000. The amount was arrived
at by capitalizing, at 3%, the \$700,000
annual income the Indians averaged
from their catch in the four years from
1947 to 1950, inclusive.

TV Harmony

MIAMI—The morning Miami Her-
ald operates radio station WQAM. The
evening Daily News operates WIOD.
Both had applied for Miami's Channel
7 TV station. A heated fight was ex-
pected before the final Federal Com-
munications Commission decision.

But there isn't going to be any fight.
Both papers have withdrawn their ap-
plications. A new application has been
filed by Biscayne Television Corp. Bi-
scayne's two vice-presidents are John S.
Knight, president of the Herald, and
James M. Cox, Jr., vice-president of
the News. President of the new cor-
poration is Niles Trammell, who quit
as chairman of the board of National
Broadcasting Co. to take on the job.

Trammell says the proposed TV sta-
tion will be wholly independent of the
two papers and the two radio stations.



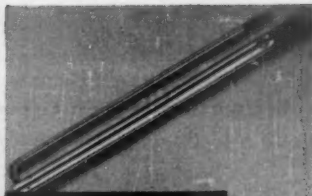
From 50% rejects to 1%!

For this tough flaring job two brands of Stainless Tubing were tried with 50% rejects. Then they switched to Carpenter Stainless Tubing and rejects dropped to less than 1%.



From 20% rejects to none!

Rejects because of breakage amounted to 20% of each run. Changing to Carpenter Stainless Tubing, rejects were completely eliminated.



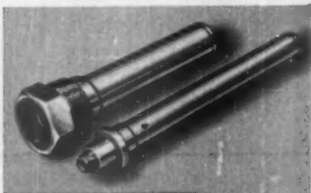
8c to 10c saved per unit!

After making comparative tests, the maker of these bottle-filling units specified Carpenter Stainless Tubing and saved 8c to 10c per unit.



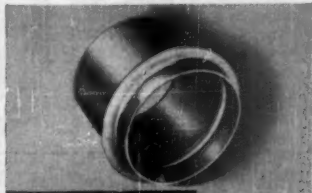
Easier fabrication and a better product!

After testing tube from several sources, the manufacturer of these condensers found that Carpenter's quality control at the mill gave him easier bending and a better finished job.



15% to 20% saving!

These thermostat sleeves and bulbs require precision fabrication. After changing to Carpenter Stainless Tubing they gained a 15% to 20% saving in the cost of producing each unit.



10c saved per piece!

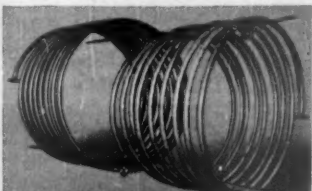
The fabricator of this refinery equipment needed a ductile Stainless Tubing that would "take" the severe fabrication. Since changing to Carpenter, he figures a saving of about 10c apiece.

**That's why
it pays
to specify
Carpenter
Stainless Tubing!**



40% rejects before—now, 1%!

Before changing to Carpenter, fabricating rejects ran 40%. Now the collapsible handle of this uranium detector is produced—at a reject rate of only 1%.



Coil life doubled!

In a brick-lined hydrolysis tank, lead coils had been used for years. Then they found that coil life could be doubled with Carpenter Stainless No. 20.

These are only a few reports from hundreds in our files. They all add up to one important point: *All stainless tubing is not the same.*

Whenever the job calls for something "extra", users of stainless pipe and tubing in a wide variety of industries have come to know that they can depend on Carpenter quality

and Carpenter technical assistance to meet the challenge.

It's a good idea to take your problems to Stainless Tubing and Pipe Headquarters. We'll take a personal interest in seeing that they are solved to your satisfaction. Distributors are located in principal cities from coast to coast. The Carpenter Steel Company, Alloy Tube Division, Union, N. J.

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What's Happening to the Cost of Living

	Total Cost of Living		Food		Clothing		Rent	
	Old	New	Old	New	Old	New	Old	New
November, 1941	110.2		113.1		113.8		107.8	
November, 1942	119.8		131.1		125.9		108.0	
November, 1943	124.2		137.3		133.5		108.0	
November, 1944	126.6		136.5		142.1		108.2	
November, 1945	129.3		140.1		148.7		108.3	
November, 1946	152.2		187.7		171.0		108.8	
November, 1947	164.9		202.7		190.2		115.2	
November, 1948	172.2		207.5		201.4		115.5	
November, 1949	168.6		200.8		186.3		122.0	
January, 1950	166.9	168.2	196.0	196.0	185.0	185.0	122.6	129.4
November, 1950	175.6	176.4	209.5	210.8	195.0	194.3	125.4	132.5
January, 1951	181.6	181.5	221.6	221.9	199.7	198.5	126.0	133.2
November, 1951	189.3	188.6	232.1	231.4	209.9	207.6	131.4	138.9
December	190.0	189.1	233.9	232.2	209.1	206.8	131.8	139.2
January, 1952	190.2	189.1	234.6	232.4	206.7	204.6	132.2	139.7
February	188.3	187.9	229.1	227.5	206.1	204.3	132.8	140.2
March	188.4	188.0	229.2	227.6	205.6	203.5	132.9	140.5
April	189.6	188.7	232.3	230.0	205.0	202.7	133.2	140.8
May	190.4	189.0	234.6	230.8	204.4	202.3	133.7	141.3
June	191.1	189.6	236.0	231.5	204.0	202.0	134.0	141.6
July	192.4	190.8	239.1	234.9	203.3	201.4	134.3	141.9
August	192.3	191.1	238.4	235.5	202.7	201.1	134.7	142.3
September	191.4	190.8	234.7	233.2	203.6	202.3	134.7	142.4
October	191.5	190.9	234.1	232.4	203.2	202.1	135.3	143.0
Nov., 1952	191.6	191.1	233.7	232.3	202.7	201.3	136.2	143.9

*BLS has revised its formula for computing the cost-of-living index (BW-Nov. 10, '51, p.112). Since the old index is still widely used in labor-management bargaining, BLS will continue issuing both sets of figures at least through 1952.
 Data: U. S. Bureau of Labor Statistics.

New Index Shakes Escalator

Businessmen and unions are watching the Bureau of Labor Statistics' monthly cost-of-living index these days with a rapt attention that a table of statistics rarely rates. They are concerned with its current level—in mid-November, 191.6 on BLS' unrevised basis, a slight increase from mid-October's 191.5. And they are even more concerned about the major revision due in the index next month.

After three years, BLS is ready to issue a completely modernized monthly consumers' price index. This will replace both the old unrevised c-o-l index that dates back to prewar days and the interim revision that BLS has been computing for the past couple of years:

- It will include 75 new items important in today's living, and will therefore reflect changes in living costs more accurately—or so BLS hopes.
- It will express price changes

in terms of the increase since the end of World War II (with a 1947-49 base) instead of before the war (on the old 1935-39 base).

For most persons, the change in the index will be academic. But for the 3-million workers covered by cost-of-living "escalator" contracts, it will be a pocketbook matter. Their pay rises and falls with the movement of the index. So they—and their unions—are vitally interested.

- **Auto Workers**—Most escalator contracts are like General Motors' 1948 trail-blazer—renewed for five years in 1950—with the United Auto Workers (CIO). These call for a 1¢ adjustment in pay for every 1.14-point change in the BLS index issued in the same "form and calculated on the same basis" as when the original agreement was made. The contracts say that if BLS changes its index, a new basis for the escalator must be negotiated.

The changeover is just ahead. Hopes that BLS will continue issuing its "old" index for the accommodation of companies and unions with escalator contracts have been dashed completely. BLS says it is "impossible" to continue putting out the original index. It has dropped price surveys in 14 cities, and stopped collecting many figures. So conversion will be necessary.

Logically, this should involve a rather simple mathematical transition. Many employers and their unions undoubtedly will settle quickly, and amicably, in this way.

The question is: Will the auto union do it?

Under a memorandum of understanding in early 1951, UAW and GM decided that in the event of a change in BLS' index, their escalator clause would be adjusted so that "the transition will not increase or decrease the cost-of-living allowances" paid GM employees.

- **Restiveness**—This would indicate a sitting down together to work out a simple conversion formula. The basic contract also provides for such a step. But with a UAW convention coming up next March, and restiveness in auto workers' ranks over present escalator contracts, the logical step might not be taken.

Walter Reuther indicated as much when he said the auto union "will not accept an automatic changeover to the new index." Obviously, he wants to discuss a range of corollary issues—a higher base rate incorporating about 2½¢ of UAW workers' present 25¢ c-o-l "bonus" rate; an increase in productivity raise from 4¢ to 5¢; perhaps higher pay for some groups.

Whether he gets to go into these issues in index discussions beginning in late January or early February (in advance of UAW's next wage adjustment date, in mid-March) depends largely on the willingness of the industry to extend negotiations beyond mere conversion. The industry might agree, on a limited basis, since there is some acceptance that UAW is entitled to concessions: Its c-o-l "bonus" can be taken away, while under Wage Stabilization Board c-o-l raise policies, other workers have received living-cost increases as a part of their permanent base rates.

- **Mathematics**—Whatever the course of negotiations, the mathematical transition to the new base may be accomplished by dividing whatever old index figure you wish to convert by 167.2—the average index figure for the new base period, 1947-49.

This simple transition to the new base—and the resulting lower index



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makes fibres work
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"... the new index is bound to move up and down more slowly..."

BLS INDEX starts on p. 74

figures—raises hob with the escalator tables most unions are using.

The General Motors-UAW c-of-l table, for instance, establishes index points at which an adjustment of 1¢ an hour will be made, up or down. These points are in steps—1.14 index points apart.

In the new index, only about seven-tenths (0.68) will be the equivalent of 1.14 points in the old index, according to the BLS. In other words, the same percentage change in living costs that makes the old index move 1.14 points will make the new index move only .68 point. Therefore, if the auto workers' contract isn't converted from 1.14 point measure it now has, living costs would have to rise almost twice as much to bring them a quarterly wage increase of a penny. The same applies if the index goes down.

• **Ratio**—When General Motors and the auto union first negotiated their escalator in 1948, the purpose was to make the wage adjustments keep the same ratio to wages that the fluctuation in living costs has to the cost of living. The formula of 1¢ adjustment for every change of 1.14 points in the index meant that 1¢ had the same relationship to the average General Motors wage—\$1.49—that 1.14 had to the cost-of-living index of that date—169.3.

GM wages have risen 46¢ an hour including the annual productivity boosts under the contract since 1948, making the average wage about \$1.95, not allowing for shifts resulting from larger payroll and promotions (BW—Nov. 29 '51, p. 118). The revised c-of-l index figure for October—latest available—is 114.2.

Substituting these approximate current figures in the original GM formula would call for a 1¢ adjustment for every .585-point change in the index, or 2¢ for every 1.17-point change.

• **Not So Fast**—The new index is bound to move up or down more slowly, in terms of number of points, than the old.

One reason is simply that the figures of the new index are lower, and an equal percentage change will mean a movement of a smaller number of points when it is applied to a smaller figure than when it is applied to a larger figure. But there is another factor that will make the index stickier.

• **New Basket**—BLS has a new market basket—a modern one. These are some of the changes:

• The cross-section of cities surveyed has been changed. Instead of pricing in only 34 large cities, the new method adds pricing of 26 medium and small cities and drops 14 large cities. In all, 46 cities will be covered. Moreover, the weighting of particular cities in the total index will be adjusted on the basis of the 1950 census.

• Consumer items to be priced have been increased from 225 to 300. Added to the market basket is the cost to moderate-income families of home ownership, home maintenance, restaurant meals, and used cars. These were never priced before. Frozen food prices were included in the interim index, but even more frozen items have been added to the new basket. Beer is being priced; nylons have replaced silk stockings.

• New weights are being assigned to the various costs, based on a survey of how family expenditures have changed in recent years. The exact weights have not been determined. But in the interim revised index, for instance, food costs comprised only 33% of total costs, compared with a previous weight of 41%. The rent factor dropped from 13% to 11%. The weight of medical, automobile, and other miscellaneous expenses rose from 22% to 33%.

Including small cities in the index and giving less weight to food—the largest yet most sensitive factor—should make for a slower moving index, too.

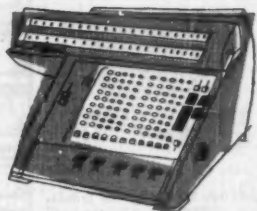
• **The Tie-Up**—BLS will link the new index for January to the old index for December, announcing it near the end of February. Here's how it will be handled:

For December (announced in January), BLS will issue the interim revised index and the "old series" index as it has been doing for more than a year. It will also convert the interim revised index to the new 1947-49 base and issue that figure. Further, BLS will compute the December cost of living of the new market basket as a base from which to measure the change in January. It will then apply the percentage change from December to January in the new market basket to the interim revised index figure which has the 1947-49 base.

That way, BLS says, it gets a fairly accurate measure of the month-to-month change, although the total change from the 1947-49 base may not be as true because of the inadequacy of the old index as a measurement.

During 1953, BLS will publish the rise in living costs—using the new market basket—from the old as well as the new base. This is to accommodate those who have contracts tied to the 1935-39 bases. But this will not be the same as the old index because of the new pricing methods.

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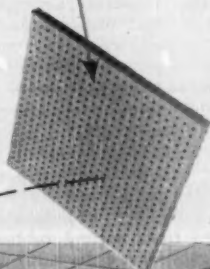
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The Open Store...

... in the evening may run into labor trouble. Union thinks premium pay would be in order.

Department stores that follow the trend to night openings may be in for money trouble. Store unions are likely to fight the additional evening hours unless there is compensating high pay for the night work.

Lit Brothers in Philadelphia is finding that out. Like major stores in at least a dozen cities, including one in Philadelphia, Lit decided to keep its doors open two nights a week. The store, which already follows a Philadelphia practice of operating from noon to 9 p.m. Wednesdays, announced it would also stay open from 9:30 a.m. to 9 p.m. Mondays.

• **Arbitration**—Local 1390 of the Retail Clerks International Assn. (AFL) protested that its 1,300 members in the store should not have to work more than one evening a week. It threatened a strike. In the midst of a legal tangle over the right of the union to call a stoppage on such an issue, both sides agreed to arbitration. The questions at stake would be whether extra night hours could be set by management, and how they should be paid for.

The arbitration award answered the first of these clearly and quickly: "The right to schedule an additional night opening is a reserved function of management," the arbitrator decided. "All working days will be at the exclusive designation of management."

The union was unhappy, but said it would go along with the award—temporarily. It will terminate its present Lit contract as soon as possible, it said, and try to get more control over working hours in a new pact.

• **Pay Angle**—The arbitrator did not decide immediately on the question of how much the workers should be paid for additional night work. Lit and RCIA decided to try to work out the answer for themselves, and resumed bargaining.

The Pictures — Cover by Bob Iscar. Humble Oil & Refining Co.—30 (top), 31 (top lt.); Int. News—25 (lt.); Bob Iscar—25 (rt.), 48, 86; Ewing Krainin—27; Herb Kratochvil—94; Art Meyers—30 (bot.), 31 (top rt., bot.); Republic Aviation—28; United Press—69 (top).

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Garage Drive . . .

... looms as unions seek new areas for expansion. But machinists are stalemated in their Spokane campaign.

Unions have just about soaked up the big pools of industrial workers—the source of their tremendous organizing gains for a decade and a half. For several years now, AFL has added membership largely through the affiliation of already unionized groups of workers; CIO has shown no substantial growth.

At 1952 conventions, both emphasized that new organizing fields must be opened. One, already being probed, is in stores and offices. Another is in garages and service stations—where the International Assn. of Machinists, the Brotherhood of Teamsters (both AFL) and the United Auto Workers (CIO) see a potentially important, and virtually untapped area for organizing.

For IAM particularly, a lot of the spadework has already been done. Its organizers have signed up some 90,000 mechanics and garagemen in a number of large cities. Teamster organizers have signed some groups, too. But the big effort is still ahead.

• **Case Study**—Meanwhile, Spokane, Wash., is getting a preview of what could happen anywhere in a union drive to sign up garage employees. IAM is pressing a campaign there to bring service employees of auto dealers into its fold. Back in 1937 IAM launched a drive that won it contracts in most dealers' garages in Washington. But after a seven-month walkout, it still couldn't sign members of the Spokane Auto Dealers Assn.

Last summer, IAM decided to try again in Spokane. It lost a first election in November, 1951, by a small margin, then won another last April by 50 votes. Subsequent contract bargaining got nowhere.

After a series of quickie work stoppages in mid-September, the dealers' association issued a flat warning: All employees participating in stoppages would be fired. IAM countered by pulling its members out of shops of 16 association members and two independents.

At the same time, IAM filed unfair labor practice charges against the employers with the National Labor Relations Board. Its charges are still pending.

In the past three months, IAM has eased its demands somewhat. It has reduced picketing to seven association members and the two independents. But the strike hasn't shown any real signs of a break—although federal mediators are now on the scene.

As far as the public is concerned, the



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stoppage has settled down to an annoyance, little else. About 200 mechanics and helpers are involved in the strike, but all garages are open and doing an about-normal business. IAM claims the garages are using "scabs" and "strike-breakers" to get work out. Employers reply that they have merely hired mechanics in the open market, where necessary, to fill job vacancies.

• **Teamsters Out**—The Teamsters are strong in the Northwest, but have made

no real effort to muscle in on IAM organizing in Spokane garages. However, there is no certainty that the sidelines attitude would prevail elsewhere.

In the past, IAM and the Teamsters have clashed over garage mechanics employed by one large Boston auto dealer. Mostly, however, they have succeeded in working out amicable agreements, giving IAM jurisdiction over skilled mechanics, the Teamsters over unskilled and semiskilled service attendants.

LABOR BRIEFS



HIRING TECHNIQUE at Victor Adding Machine Co. cuts turnover, interviewing costs.

Recruiting from the inside is Victor Adding Machine Co.'s system for getting new employees and keeping them. A bulletin board near the company cafeteria announces job openings, asks employees to find people to fill them. Victor says one in three applicants found this way is hired, as compared with one in eight generally. Turnover is "appreciably less."

A raise of 12¢ to 14¢ an hour ended a nine-week strike by the United Rubber Workers (CIO) at Fremont Rubber Co.'s plant in Fremont, Ohio.

American Locomotive Co.'s two month shutdown at Schenectady may wind up with an 11½¢ raise; the United Steelworkers (CIO) is submitting such an offer to striking members, and acceptance is expected. Another ALCO tie-up at Dunkirk, N. Y., ended when

President Truman invoked Taft-Hartley (BW-Dec.20'52,p121).

Carl Stellato, president of the United Auto Workers (CIO) Local 600 at Ford, has been "directed" by the local's board to run for international board member in UAW's next election. The mandate is causing some raised eyebrows in UAW: It's the first time a local has taken such a step in the auto union.

Finale in a Westinghouse Electric Corp. International Union of Electrical Workers (CIO) squabble over the permanent closing of Westinghouse's Bowling Green (Ky.) plant has just been written by NLRB. The board refused to issue an unfair labor practice charge against the company. It held that Westinghouse, having tried to bargain with IUE, could shut down because IUE walkouts prevented efficient operations.



R/M Asbestos Textiles Started These Bottles on Their Way

A perfume bottle, like any molded bottle, comes out of the mold red hot and difficult to handle. Contact with a cold surface will cause it to explode into a thousand pieces. But modern glass blowers know how to move such bottles with speed and safety. They use asbestos textile conveyor belts to carry the bottles from the molds to the annealing ovens. Belt guard surfaces and drop curtains in the ovens are also made of special asbestos cloth. The glass industry is a big user—and Raybestos-Manhattan a big supplier—of asbestos textiles.

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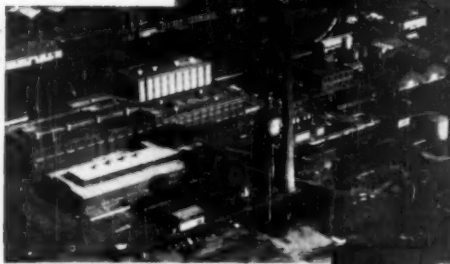
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PERSONAL BUSINESS

BUSINESS WEEK

DECEMBER 27, 1952

A BUSINESS WEEK

SERVICE

Any man who thinks about giving or leaving property to his sons and daughters is likely to have to face this decision: If the children are under-age, should he name a trustee, or should he name a guardian to manage the property? It's an important question. Watching over the affairs of a minor is, at best, a difficult job

In most states today, any person under 21 is regarded as legally incompetent. Theoretically, that means he can't sell property, make an investment, or even withdraw money from a savings account.

So the law says a person or organization named as trustee or guardian has to act for the minor. In essence, he becomes the general manager for the child's property.

Both guardians and trustees have the job of "marshalling, conserving, investing, and managing" the minor's assets placed under their care.

Beyond that, however, the two usually go separate ways. There's normally a great difference between how they're appointed, what the law requires them to do, what they can and can't do with the minor's property.

A guardian is appointed by a local court. Usually, the judge picks the person or trust company named in the parent's will or otherwise designated. But note this: In most places, courts don't have to follow a will's instructions.

A trustee is named by the person setting up a trust. As long as the trustee meets any statutory qualifications, the appointment is completely binding. In other words, with a trust you're sure of having the person you name take over the management of the child's property.

The really big differences between trustees and guardians show up in: (1) their powers; and (2) the amount of red tape they have to put up with. On all counts, the trustee comes out top man. Here's why:

A guardian generally has to post a bond on his appointment and continue it through the course of the guardianship. Often, it involves a considerable expense, which is charged to the minor's property. In the case of a trustee, the need for a bond can be waived in the instrument creating the trust.

A guardian is usually limited by law to making so-called "legal investments" (high-grade government and municipal bonds, a few corporate securities) with the child's property. The yield is apt to be comparatively low. A trustee, however, can be authorized to make any investments he thinks wise. (A trustee could also hang onto a particular asset, like stock in a closely held corporation. A guardian couldn't—unless it were a legal investment. And that might defeat the whole scheme for keeping property in the family.)

Under guardianship, if a child dies before 21 the property goes to the child's heirs. But with a trust, you can determine who will get the property on down the line.

A guardian can use income from a child's property to pay for the child's maintenance and education. But generally, he can't touch any part of the principal without an express court order. That means red tape and expense every time extra cash is needed to meet an emergency.

PERSONAL BUSINESS (Continued)

BUSINESS WEEK
DECEMBER 27, 1952

A trustee, on the other hand, can be authorized to dip into principal whenever he has to.

A guardian has to file periodic accountings of his management with the court. Under a trust, you can relieve the trustee of a lot of this.

It's not true that it's always necessary to name a trustee or guardian when you leave property to a minor. If the only assets are, say, bank deposits, government bonds, or insurance policies that don't require supervision or management, you could probably get by without having to appoint someone as caretaker.

But remember this: Anytime the property required some affirmative action, someone close to the child would have to go to court and get himself appointed legal guardian.

How does a trustee or guardian get paid for his services, and where does the money come from?

In most states, the amount of payment is fixed by law. Usually, it's a percentage on everything—including both principal and income—that passes through the guardian's or trustee's hands. In New York, the rate for a guardian starts at 5% on the first \$2,000, then drops to 2½% on the next \$10,000. Trustees' commissions, by agreement, may be higher or lower than those fixed by law.

All payments, or "commissions," come out of the minor's property.

Consumer gripes about slipshod construction in new houses keep stirring up talk of compulsory guarantees by builders.

Latest is the report by a House Banking & Currency subcommittee calling for a one-year warranty on all homes built with Federal Housing Administration or Veterans Administration mortgage help. Contractors would have to pledge that the house is free of major construction defects and meets plans and specifications.

Congress has balked at compulsory guarantees in the past, and there's not much chance it would change its stand now. Still, some sort of nationwide guarantee, on a voluntary basis, is certain within the next few months.

The National Assn. of Home Builders now says that 80% of its local associations have adopted its proposal for a voluntary warranty guaranteeing workmanship. It predicts coast-to-coast adoption by Feb. 1 in the 203 areas where it has local bodies.

The Tax Court seems bent on putting a definite penalty on certain sales of company stock by company officers.

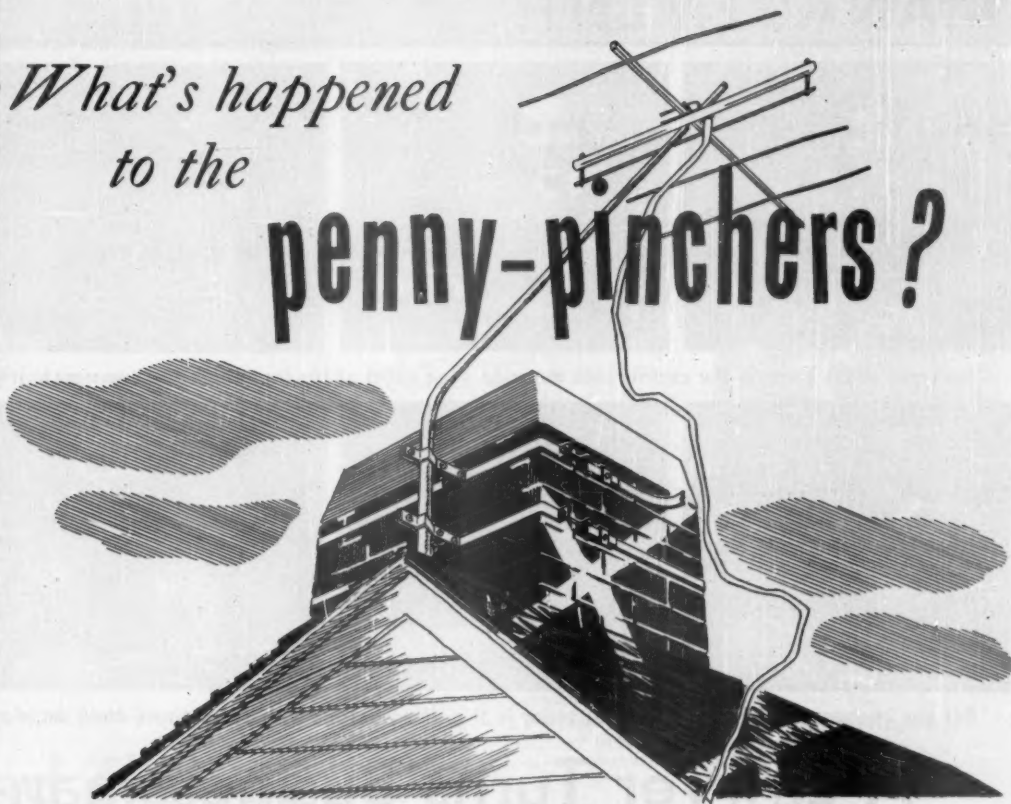
Under a rule of the Securities & Exchange Commission, an officer or director of a listed company must turn over to his company any profit he makes on purchase and sale of company stock within a six-month period. The idea is to keep insiders from profiting from inside information.

Now the Tax Court seems to be carrying the rule a lot further—by imposing what amounts to a tax penalty on these six-month stock transactions:

Profits paid back to the company can't be deducted from income; the executive must pay on them just as though he had kept the money. That's what the court said in a highly controversial split decision.

*What's happened
to the*

penny-pinchers?



In a way, people who had the first TV in the neighborhood *were* "penny pinchers"—without really knowing it.

They spent a lot of money for their sets, but they skimmed on the mast and antenna. The idea of a really *good* outside antenna never occurred to them. Now, of course, they need a new one.

National Electric engineers knew that next to the TV set itself, the antenna is most important. They knew, too, that most antennas just weren't durable enough. So they went to work . . . came up with the most *rugged* masting and antenna ever built.

Masting and accessories of the new NEPCO antenna are of steel . . . with all the strength of steel. To this has been added an enduring armor of zinc and a covering of baked enamel. With a life expectancy never before equalled, even confirmed "penny pinchers" agree *it's the cheapest by far in the long run*.

This is typical of the way National Electric is constantly solving problems in electrical materials. And the reason why NEPCO products are *preferred* by architects and engineers, maintenance men, electrical contractors . . . and reformed penny pinchers!



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National Electric Products

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"Once you break through the curtain into the wide-open vistas at the top, which few ever reach, it's



"But any businessman who isn't a lawyer today is at a disadvantage with competitors when decisions

A Lawyer Turns Businessman—

Joseph A. Patrick (cover), president of Virginia Metal Products Corp., is one man who admits he knows an angle when he sees one—and at any given time he usually sees several of them.

This week, for instance, there were these, plus a few others:

- Patrick was close to making a deal with Chesapeake Industries, Inc., a company controlled by Robert R. Young. The angle: Chesapeake's books are carrying a hefty batch of earlier losses that it can use as tax deductions. VMP has a bad excess-profits-tax base—which could be offset by Chesapeake's losses if the companies got together.

- Patrick was working with William Zeckendorf, hard-hitting president of Webb & Knapp, Inc. (BW—Sep. 13 '52, p144). The angle: to figure out how to educate Zeckendorf's architects to use more steel in construction. VMP makes steel partitions, doors and frames, interior panels—and wants to make a lot more products.

- Patrick was dickering with the head of another good-sized company. The angle: to buy a piece of this business that would tie in nicely with VMP's expanding conveyor line. (VMP installed the mail conveyor system in

Lever Bros.' new glass skyscraper in Manhattan.)

When he's not busy with deals like these, Patrick has sharp ideas on business generally, and doesn't mind expressing them (pictures). People who know him call him an outstanding operator, a smart young lawyer, a businessman who will be a lot bigger than he is now in five years' time. Today he might be pictured as a junior-size edition of Robert R. Young (whom he knows and admires)—dapper, shrewd, outspoken, and not always orthodox. He works out of Wall Street, lives modestly on Long Island.

- **Experience**—Some of Patrick's unusual views seem a lot more plausible after you learn the extent of his experience. At 42, he has been a lawyer about twice as long as he has been a full-fledged businessman in his own right. In both fields, success came early.

From 1935, when he got a degree from Harvard Law School—he was rated an above-average student—until 1944, he was one of the top-flight enforcement officers in the New York office of the Securities & Exchange Commission. Right from the start—and often working without handy prece-

dents—he had to match wits with high-powered legal brains hired to fight charges of SEC violations.

Two years after he quit SEC, he had established his reputation on the other side of the fence: a corporation lawyer to be reckoned with.

- **Quirks**—This background gives Patrick a point of view about business that an engineer, say, wouldn't have. But Patrick figures business today is so complicated, has so many tax quirks and regulatory pitfalls that it takes solid legal knowledge to make quick decisions against competitors.

He got a chance to prove his point when he took over active management of VMP. After two years, the former owner brought suit for \$2-million, charging breach of contract. The plaintiff collected just over \$200,000; the case is still not fully settled.

- **Hard Times**—A couple of years before Patrick came on the scene, VMP seemed a sure bet to wind up as a re-conversion casualty. It had a good plant in Orange, Va., but that was about all. Known then as Sneed & Co., a family outfit dating back 100 years in metalworking, it had prospered handsomely during the war, making aluminum prod-



easy for anyone . . .



have to be quick."

and Thrives

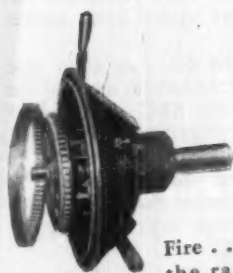
ucts for the military. To get that aluminum business, it had to give up buying the steel needed for its traditional line of library shelving, partitions, and the like. Thus the company lost its position with steel suppliers after the war, and the sledding became tougher and tougher.

As a result, Sneed & Co., run by Angus Sneed MacDonald, sold out to Phoenix Iron Co. In the shuffle, Phoenix Iron became Winfield Corp., Sneed & Co. became Virginia Metal Products, and Patrick became counsel for both.

Patrick also got the title of VMP board chairman, which he dropped in 1948 to become operating chief. He bought into VMP. He and David G. Baird, Wall Street broker and director of half-a-dozen big companies, now own 97½% of VMP stock.

I. The Lawyer

There's no doubt that Patrick's legal background in the SEC gave him a head start as a businessman. When he joined the agency in 1935—chiefly because there was nowhere else to go—it was still early in the New Deal shake-



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It's good-by to back-breaking snow-shovel sessions for the fortunate folks with a new snow-melting system! Coils of Byers Wrought Iron pipe, embedded in sidewalk or pavement, carry hot water that makes snow vanish magically as it falls. Householders find snow-melting systems an economical luxury. Stores, banks and service stations have discovered that it cuts excessive snow-removal costs and stimulates patronage. Industrial plants keep shipments moving, ban lost-time at shift changes, by using snow-melting systems in loading platforms and access roads. Every fall of snow means expense and inconvenience... so here's a new idea you'll want to investigate.

—A NEW BULLETIN ON SNOW MELTING

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BYERS

WROUGHT IRON

down period. Patrick's first assignment, at 25, sent him to Pittsburgh. There, he racked up SEC's first conviction under the new laws against stock market manipulation.

From then on his reputation rose steadily. He got to handle some of the biggest cases, was SEC's counsel at Washington hearings on legislation that grew out of an investigation of the New York Curb. In other cases, he played a major part in suspending some top-notch brokerage firms from the Big Board.

• **Learning**—Through all this he was (1) meeting influential people and (2) learning the intricacies of business—legal and financial. One thing Patrick ranks high is policy accounting—for example, when management figures how much to put aside as reserves. He had to learn policy accounting from scratch in order to argue one question that SEC settled: When is an accounting firm independent, and not part of its client's business?

Probably more important, says Patrick, are two other things:

• He learned to handle big people and big things. "I bypassed the thing that keeps most men from the wide open vistas at the top—the fear of making decisions."

• He also learned the rules. He says: "Businessmen today have to live with a lot of rules; I know them."

That knowledge gave Patrick his first break as a practicing lawyer after he quit SEC. At that time, Standard Gas & Electric Co. had to let go of its Mexican property in order to comply with the utility holding company act. Despite some heavy opposition, Patrick and a client of his ended up with a piece of Empresa de Servicios Publicos S. A., with seven ice plants, a water system, and an electric company. It was in this south-of-the-border operation that Patrick cut his teeth as a management man. He is still a director of some Mexican utilities.

• **Printing**—He also learned something about running a business as general counsel for the Security Banknote Co. of Philadelphia. After helping recapitalize that firm, he got out when it lost the job of printing Chiang Kai-shek's currency.

Knockdown fights were commonplace. In one, he and his client, William G. Skelly, head of Skelly Oil Co., won a big one against J. Paul Getty, when Getty wanted to merge Pacific Western Oil Corp. and Mission Corp., a big Skelly stockholder, into Sunray Oil Corp. (BW—Jan. 3'48, p. 50).

II. The Businessman

Patrick still spends a tiny fraction of his time as a consultant. But his big job is VMP. He'll stay on as president,

even if the Chesapeake deal—or a similar one—goes through.

When he took over in 1948, his first move was to fire the entire management—from the president on down. He figured they were fumbling and he wanted to start fresh. That meant he had to learn the business, "though I didn't know one gauge of steel from another."

He picked the housing boom to ride first. VMP makes steel doors and frames. Under Patrick—taking engineers off the floor to work out new specifications—VMP brought out an assembly for low-cost housing that competed in price with wood. There was also a steel sliding-panel closet door for developments. Under Patrick's continuous pushing, engineers worked hard to bring down costs.

• **Promise**—To get raw materials he called Bethlehem Steel Corp., told them he could use at least 1,000 tons a month (at the time VMP was getting 150 tons). Bethlehem didn't believe him, but agreed to up his tonnage. Meantime, he was having to pay premium prices.

Once doors and frames were rolling out, Patrick concentrated on partitions. That involved redesigning products and training people. Today Patrick has bitten heavily into his competition. He has a nationwide contract supplying partitions for the offices of Household Finance Corp., a service he could offer because he decided to break out of the East, and go national.

On top of this have come special wall panel engineering jobs for the Atomic Energy Commission, the Air Force, and medical centers.

• **Competitor**—Patrick is not a gentle person in competition, which he loves. He'd rather play three-handed gin rummy than two-handed—more angles to figure. The stock market appeals to him rather than race horses—stocks take sharp thinking. He tells his kids to play hard in games—then asks for a break when they trim him occasionally at golf. They don't give in.

In business, he'll cut prices sharply to get a contract. Once, after business picked up, he used some of the money to hire away top-flight salesmen, engineers, and others from competitors.

Patrick's big dream for VMP is to become the foremost fabricator of steel components in interior and exterior construction. He figures he already has made big strides. Shipments this year will exceed \$6-million, according to Patrick.

There are no published figures for individual companies or the industry, but Patrick's best estimate is that he doesn't have too far to go to catch up with his leading competitors.

• **Earnings**—Profitwise, he says the company has fared well. In 1948 VMP lost \$70,000 the first quarter. It ended

up the year, after he took over, with a \$100,000 profit. In 1951 it earned 95¢ a share after taxes on 255,000 shares. This year Patrick thinks will be even better.

VMP still wants a bigger share of the market—and a bigger market. Patrick believes an acceptable all-steel house is part of this goal. He thinks that is being realized in the Air Force's SAC airmen's dormitory—steel inside and out. The product uses VMP-specified components on the interior. Patrick thinks Gunnison and Lustron homes were too far in advance—like the early streamlined Chrysler. Bit by bit, though, people will get used to steel construction, eventually will accept it.

Meantime, Patrick will be working out other deals.

MANAGEMENT BRIEFS

A company's right to donate money to educational institutions (BW—Jan.12 '52,p66) is being tested in a New Jersey court. A group of stockholders in the A. P. Smith Mfg. Co., East Orange, charges that the company's recent \$1,500 donation to Princeton University can't be made under its charter, since the contribution doesn't advance its corporate objectives.

Worthington Corp. has formed the Worthington Foundation to handle all the company's charitable donations. Trustees are officers of the corporation, who will pass on all educational and community contributions. Last year Beardsley Rumf suggested the foundation idea as a good way to handle company donations (BW—Aug.18'51,p28).

Health Information Foundation, a non-profit organization supported by the drug and chemical industries, will spend \$275,000 on a nationwide study of voluntary health insurance plans (BW—Nov.22'52,p192). The study will indicate how these plans operate and where more coverage and benefits are needed.

American Iron & Steel Institute reports that at the end of 1951 there were 700,000 stockholders in 49 iron and steel companies, which turn out 92% of the industry's raw steel. This is an increase of 160,000 over the number of owners in 1945.

A survey of 300 companies made by the Metropolitan Life Insurance Co. showed that pensions equal to or better than 40% of compensation an employee receives at retirement time are considered practical and create least resistance to retirement.



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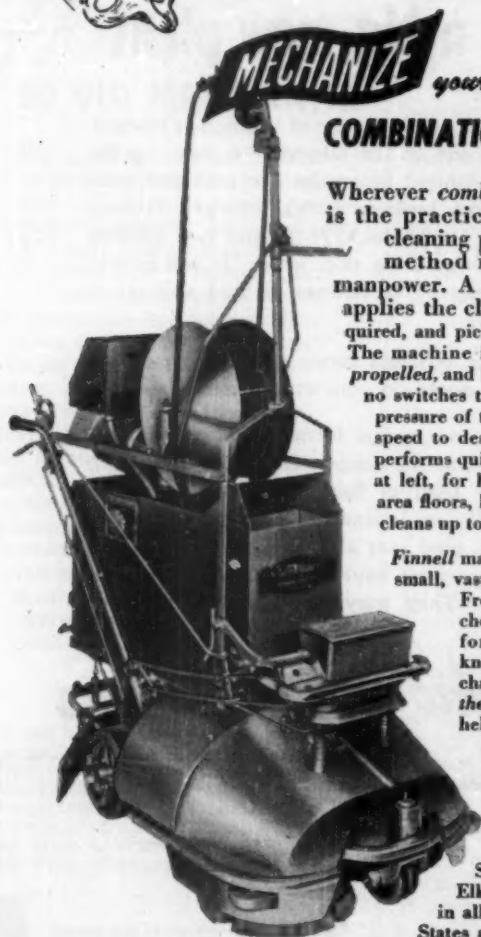
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Businessmen Duck

... jobs in Washington because they balk at hazy operating policies and civil service red tape.

One reason that businessmen shy away from government service—even a short-term stint—is because they see their friends coming back from Washington bitter, frustrated, and vowing "never again."

You get an interesting insight into why these men feel that way from a survey released last week by the National Civil Service League, a non-profit organization whose aim is to upgrade federal personnel. It polled about 200 executives who have held high-level jobs in Washington. NCSL figured that that group, if any, could shed some light on what might be done to make government service (1) more appealing to businessmen and (2) more efficient, by business standards.

• **Order of Grips**—By far the majority of those checked in the poll thought that lack of a definite, coordinated policy was the biggest roadblock to their own best work. That's vague, but it means something to the businessman who is used to having definite goals, measurable in dollars and cents, set before him.

Pressure of special-interest groups and problems in personnel and procedure came next. The gripes were not so much against the people in government service as they were against the system they worked under.

• **Personnel Ratings**—Career executives in government at the \$6,000-\$10,000 level were rated equal or better than their civilian counterparts by 55% in the poll. But 40% took the opposite view.

On the whole, though, government workers in general measured up well in the eyes of most of the businessmen. They ranked equal to civilians in efficiency, interest, and devotion to their jobs.

• **Civil Service Block**—The Civil Service Commission itself came in for a great deal of the blame. Only 11% thought it was helpful; 40% listed it as a definite hindrance in their administrative duties. Instead of acting as an expeditor, it was a hub around which red tape snarled.

For instance, its control of salaries, promotions, and centralized eligibility rosters—often out of date—slowed personnel work.

That was one reason why businessmen found the removal of civil service workers a lot more difficult than the removal of industrial workers, even those

who are protected by a union contract.

• **In the Suggestion Box**—What can be done to improve things? Here are some suggestions:

- 70% in the poll thought business talent could be better used if authority was delegated to equal the job responsibility—a policy that industry itself is rapidly extending (BW—Apr. 12 '52, p42).

- Executive development—another major trend in business—should be speeded up for civil service career people.

- Supervisory training needs a shot in the arm to match the latest advances in industry. Government ought to work out some scheme to exchange personnel with business and to train civil servants in university management courses.

- **Patriotism Not Enough**—If the new administration plans to depend on advice and active help of business people, the survey can help guide recruiting. For one thing, patriotism alone apparently isn't enough to induce executives to come to Washington. About 30% said it was, but 39% added the qualification "in a national emergency." Another 26% said flatly it is not an adequate incentive.

What is? A direct request by a high government official, according to 84%. Other reasons tapered off in importance. Next to last: opportunity to broaden experience and make valuable contacts.

Mostly, the trouble seems to be self-perpetuating. Top-notch business people hold back (though that has changed markedly since the election), so efficiency is hurt. That breeds frustration and confusion—a poor atmosphere for effective management. To close the circle, it was just this frustration that most businessmen in the poll thought was the reason others were reluctant to take top government jobs. Bad publicity through congressional and other attacks, aversion to political entanglements, loss of income ranked next.

- **Panaceas**—As an outgrowth of the survey, the Civil Service League makes five recommendations:

- Complete overhaul of the Civil Service System, especially the appointment of a Civil Service Commission chairman versed in government and industrial personnel work.

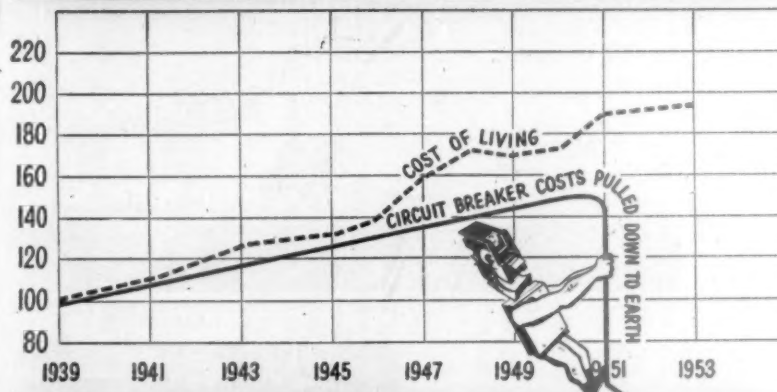
- Active interest by the President in the commission.

- Clear-cut, unified personnel policies—including one that gives administrative people a wider choice of selection; decentralization of personnel procedures.

- Executive and supervisory training programs, along with on-the-job training and job rotation.

- A pool for recruiting, training, and orienting business executives who could be tapped for service.

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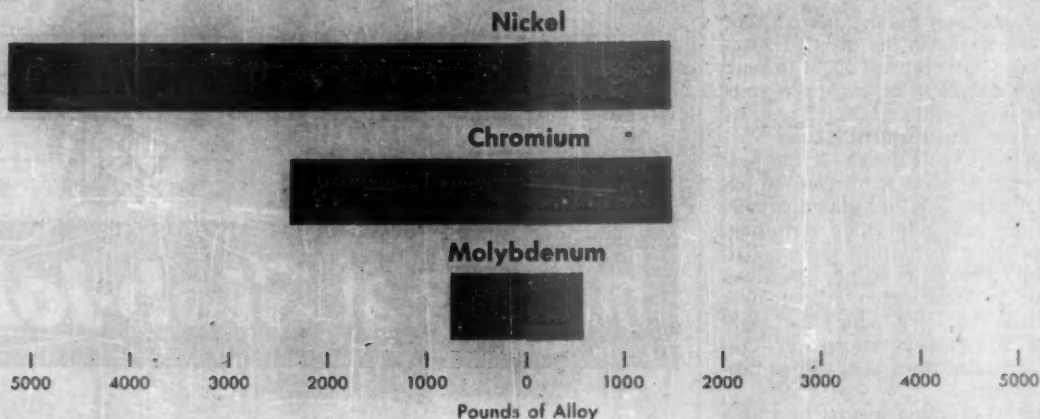
PRODUCTION

To Make 150 Tons of a Typical Alloy Steel...

You need...



But if you add 8 lb. of boron you can make an equivalent alloy with only:



Source: American Iron & Steel Inst.

Boron Steel: Now They Like It

Boron steel has finally clawed a firm toehold in the metals market.

In the first nine months of 1952 U.S. steel producers turned out a little more than 500,000 tons of this alloy, which was once a short-term substitute used only to conserve critical alloying metals. That means boron steel has topped over 9% of all alloy steel production (exclusive of stainless). The American Iron & Steel Institute estimates that 1951 production was only 354,495 tons. The jump convinces most steelmakers that boron is here to stay, after its ups and downs between World War II and Korea.

• **War Baby**—Industry turned gratefully to the boron steels during World War II in order to save the scarce alloys such as nickel, chromium, and molybdenum. But around 1946, when the alloys again became plentiful, boron went into the doghouse.

The metallurgical trick of a boron steel is simply this: A producer adds a small amount of boron—a cheap, plentiful derivative of borax—to a heat of alloy steel, and thereby saves from 20% to 80% of the alloys that are needed to get the qualities he wants in the final product.

• **New Developments**—For all the ad-

vantages of boron steels, the industry never quite warmed up to them. Originally, they were tricky to make in the mills, and finicky to fabricate into end products. Few users knew enough about them, metallurgically. And most tried their old production methods on the new steels—which usually resulted in a costly flop. Impatient with the borons, the fabricators went back as soon as they could to the more predictable standard steels. During the resulting lull in demand, research projects of individual steel companies and the Iron & Steel Institute broadened the technology. So, when Korea came and alloys again were short, the industry began pushing the boron steels once more—with a little prodding from National Production Authority. Now the steelmakers can promise their customers a whole series of boron steels that are neither hard to make nor tricky to fabricate.

• **Standardized Production**—Republic Steel Corp., for one, says that producing boron steel is as routine as making any other kind of alloy steel. Republic Steel has turned out 28 different kinds of boron steels in one month alone, at the rate of 200,000 tons per year.

Most of the processing of the boron

steels has also been standardized in Republic's mills. About 90% of the steel is made in open-hearth furnaces, and the rest in electric furnaces. The company is partial to open hearths because electric furnaces have one drawback: The electric arc inside the furnace breaks down the air, chemically, and exposes the steel heat to the nitrogen, an impurity. Republic uses vanadium in its heats, and, that way, partly protects the boron from the nitrogen.

Nearly all of the boron steels go into products that are heat treated to a hard finish. The boron peeps up the performance of the steel even though it has been weakened by cutting down the alloy content. It gives the steel a characteristic that metallurgists call hardenability: the ability of a steel to harden to a certain depth when it's heat treated by quenching and tempering. The heat treating increases the strength of the steel without making it more brittle.

• **Raft of Uses**—Boron's applications include a raft of parts such as diesel crankshafts, engine transmissions, and automotive springs. Sometimes, Republic says, a boron steel will be far better in a part than any of the older types, a claim that many experts would have laughed at a few years ago.

One type, for example, is a natural for some special screws and bolts used by the Detroit auto makers.

Some industry men are optimistic about the potential of the borons, and spout statistics to back up their enthusiasm. Boron's biggest use as a raw material is in a wide range of carbon-base steels that are used for heat treated products. Roughly 95% of this group is wide open for treatment with boron. What's more, the heat treating variety totals about 20% of the industry's steel output.

• **Low Cost Factor**—Boron steels have already forced some of the nickel-alloy grades completely out of the market. And in the competitive market that's ahead, the cost angle will be the main factor in boosting the demand for boron steel, at the expense of other alloying metals. Steelmakers pay from 50¢ to \$1.50 for the raw boron that they add to a ton of boron-bearing steel. The alloys that boron replaces, by contrast, cost \$3 to \$6 and sometimes more for each ton of finished steel. So the producers will certainly push the boron types, and ease off on the alloys when the operating costs begin to get high.

• **Educational Program**—Although it's riding a small boom, boron steel still runs into customer resistance as it did before Korea. Most users that have carefully adapted the steels to their operations are completely sold on them. They are, generally, the bigger companies such as General Motors Corp., Caterpillar Tractor Co., Mack Mfg. Co., and Pratt & Whitney Aircraft Division of United Aircraft Corp.

But there are many smaller firms that want to stick with the standard steels.

Steel producers think they can convert these skeptics by on-the-spot education. An individual company such as Republic sends a boron specialist to a customer who is a newcomer to the fold. He gives the customer's technical men a step-by-step briefing on how to adapt the steel to plant operations. Industrywide, the technical associations cover a big group of potential users through local meetings and reports on research.

• **Lusty Baby**—Using sales techniques like this, the boron producers hope to push its share of the market steadily higher. The outbreak of a major war, of course, would bring boron back with a bang. In that case, it would probably jump to 60%—totaling around 15-million tons of the industry's alloy output of 25-million tons.

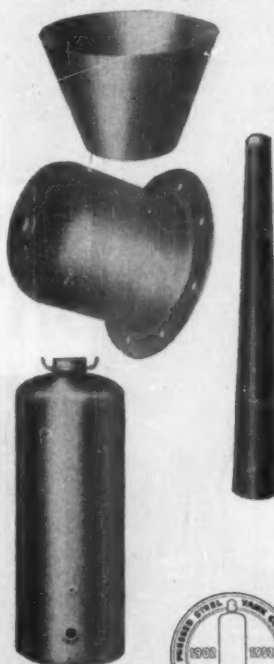
Actually, it's just as important to the defense program as the scarce alloys that it replaces, because it could release the alloys such as nickel, chromium and, molybdenum to applications that would have top priorities.

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CONTAINERS FOR GASES, LIQUIDS AND SOLIDS



THE BIG IDEA: Like eager parents, inventors hover over their brainchildren while they wait for the cue to step in front of the TV cameras on DuMont's new sustaining show. Their big hope: to get somebody interested, financially or otherwise, in their big idea.



MERRY-GO-ROUND that's collapsible was dreamed up by efficiency expert.

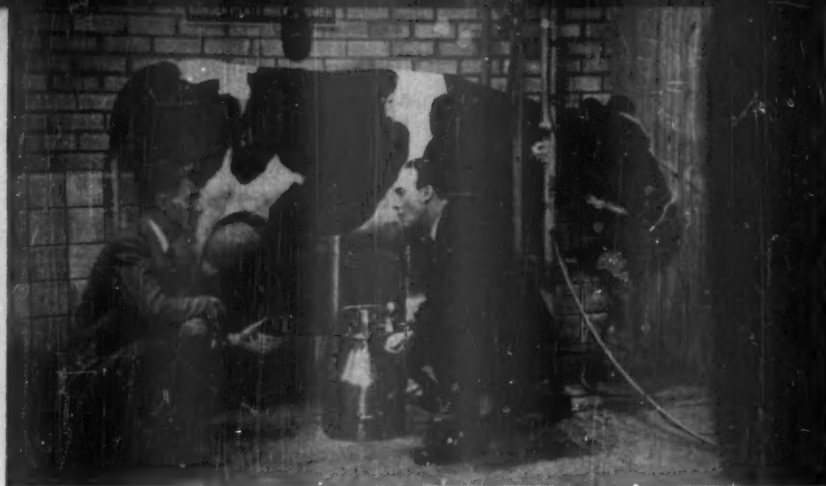


GOLF DEVICE to practice club-swinging and build up co-ordination is demonstrated by golf pro.

Inventors



AFTER THE SHOW farmer-inventor contemplates the next move in putting his big idea across to the public.



MILKER-TIMER that lets go at a preset time keeps cows from getting hurt by over-milking. Farmer gets cooperation from live cow.



PRIZE-WINNING BEACON for rescue at sea, flashes for 40 days and won a retired sea captain a Ronson lighter.



GUEST PANEL of engineering and patent experts helps out by asking questions.

Get to Strut Their Stuff on TV

Inventing can be a frustrating business. It's not too hard to dream up a new product, but getting it patented, financed, made, and distributed is a long, discouraging pull. Most ideas die before they reach the Patent Office; only 3% of the patented ones go into production.

About the nicest thing you can do for an inventor is give him a little encouragement. That's what the new DuMont television show called *The Big Idea* does. It lets the inventor show off his brainchild, explain what kind of help he needs.

• **A Boon**—The show premiered in New York (WABD, DuMont) last week, on a sustaining basis. It has been running very successfully as a sponsored local program in Philadelphia. Its biggest problem on the DuMont network is that it competes with the hit CBS comedy show, *I Love Lucy*.

In Philadelphia, *The Big Idea* does

a good deed both for inventors and for industry. Donn Bennett, producer, says that nearly one out of every four invention-entries goes places. One reason may be that before an idea ever makes the show it gets a thorough going-over by engineers and lawyers.

Philadelphia manufacturers watch the program with a hawk's eye for products they can run off during slack seasons, or for products they can turn to if they lose defense contracts. One big idea—a hot-coffee dispenser—snowballed into a big business of its own; in a year the two ex-G.I. inventors netted close to \$3-million.

• **Familiar**—The format of *The Big Idea* is old-hat to video watchers of amateur hours or panel shows. Donn Bennett introduces the inventors, explains what the inventions do and how they originated. The inventor himself puts his unmarketed product through its paces. Then he explains what kind of financial

or marketing help he is looking for. Sometimes he wants a partner. Usually, it's someone who will take the invention out of his hair, pay him a royalty.

The show uses a guest panel to ask pertinent questions. In the new show, the panel fared badly. It included Richard O. Loengard, vice-chairman of the patents committee for the National Assn. of Manufacturers; F. Gerald Toye, president of the American Patent Law Assn.; Frederick S. Blackall, Jr., head of the American Society of Mechanical Engineers; and Ray Wood, director of the South Jersey Mfg. Assn.

• **A TV Natural**—The time schedule in the first show was so tight that the experts could do little but utter a few generalities about industry's need for new products and the importance of getting a patent. But that can easily be changed as the show gets rolling.

With a little simplification in format, *The Big Idea* is a natural for television.

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In the Grease

Lithium-based, multipurpose lubricants go a long way toward curing the curse of too many types and brands.

For years, overspecialization has been the curse of industrial lubrication. An enormous number of brands, types, and weights of greases is on the market—one for just about every application.

Now there's a definite drive toward simplification. It started during World War II, when multipurpose lubricants became a must for the military, especially in aircraft. Considerable progress is now being made, especially with lithium-base greases.

- **Lithium**—The ideal, of course, would be one grease that would serve for every possible purpose. No one has come even close to that as yet, but lithium-base, multipurpose greases are being used increasingly widely. The trend would probably be more extreme were it not for the tight supply of lithium, the lightest metallic element (BW—Nov. 15 '52, p64).

Of the 80 companies in the grease industry, 25 are now manufacturing lithium-base products. Shell Oil Co., one of the biggest, announced this week that about 60% of its total grease production is in the multipurpose, lithium group.

A good many companies have studied their grease consumption. Generally, they have found these advantages for standardization:

- Grease costs can be cut as much as 10% by buying a few standard multipurpose greases in larger quantities at lower unit cost.
- Training programs can be simplified for personnel engaged in lubrication and maintenance.
- Storage space for lubricants can be reduced, in some cases by half.
- Record keeping and inventory are simplified.
- Faster turnover of the standard lubricants cuts the dangers of deterioration in storage.

A great many companies are working to gain these advantages, though none of them feels it has yet reached peak efficiency. Wheeling Steel Corp., for example, has reported that it has reduced the number of lubricants it uses from 375 to 130. But it hopes to do a lot better.

- **Specifications**—Often, diversification of greases springs from manufacturers' specifications. One company, with a battery of eight similar machines of different makes, finds it is supposed to use five different greases. In this sort of situation there is a serious risk

that the wrong grease will be put into the right cup.

Back in 1946 Aluminum Co. of America was pained to learn that it was buying 125 brands and types of grease. Alcoa promptly bought \$50,000 worth of lab equipment to test greases, especially the multipurpose types. At the start, 12 oil companies submitted 25 multipurpose greases, most of them barium-based. In 1949 lithium completely changed the picture. Today 75% of the grease requirements in Alcoa plants are met by lithium-base multipurpose lubricants.

In all, eight greases (six lithium, one silicone, and one bentone) have passed the Alcoa tests. The company uses multipurpose greases in all types of friction bearings from 10 rpm. to 3,600 rpm., operating at temperatures from 150F to minus 20F, and varying in diameter from 1 in. to 36 in. Alcoa uses the multipurpose greases in the presence of water in pump bearings, and in the presence of air and gas in lubricating plug valves.


• **Gainer**—It's the lubrication engineer who has the most to gain from standardization. To him, it means the end of many headaches, and the gain of a lot of time to spend developing better lubrication programs and more efficient maintenance.

PRODUCTION BRIEFS

Molasses, byproduct of the Hawaiian sugar industry, is being mixed with sand and water by the Pearl Harbor Naval Shipyard for use in sandblasting. The shipyard reports the combination makes an excellent sandblasting material for light and medium iron castings.

Screening cloth can be heated to prevent clogging when wet materials are screened, by a new method that will eliminate power losses that occurred in older electrical heating systems, according to Hewitt-Robins, Inc. Electrical current, carried to the screen by short insulated cables, heats copper bars that are located under the cloth and make direct contact with it. Shielding protects the bars from abrasive action of the material being screened.


Synthetic rubber plant of Union Carbide & Carbon Corp. at Louisville will reopen two units to help avert a rubber shortage (BW—Dec. 13 '52, p. 34). The plant is owned by Reconstruction Finance Corp., operated by Carbide & Carbon Chemicals Co., a division of Union Carbide. Built in 1943, the plant was shut down in 1945, reopened in 1951, and shut down again last July.



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To file a drawing, you roll it up and drop it into a special tube. The tubes rest on a rocker base that tilts forward for easy handling. Tubes are indexed so they can be located quickly. The model pictured above comes in a fire-resistant safe. Also available are custom-built wooden models to match office decor.

• Source: Scott-Rice Co., 610 S. Main St., Tulsa 3, Okla.

For Easy Paperhanging

The wallpaper industry has been aiming much of its promotional energy in the past few years toward broadening its do-it-yourself market (BW-Jun. 14 '52, p. 60). The Wallpaper Institute (manufacturers' trade association), along with individual producers and retailers, has done an effective job: Householders themselves are now hanging better than 60% of all paper sold.

But the industry still isn't satisfied. It has felt for a long while that paperhanging could be made more attractive to the homeowner if the paste table, brushes, and other bothersome tools could be eliminated. This is what the paint industry has done with its paint rollers, rubber-base paints, and one-coat mixtures.

To this end, the wallpaper industry has introduced pretrimmed papers, nonstaining cellulose pastes, and papers that paste won't stain. Now two new developments are on the market:

• **Paste**—A ready-mixed adhesive called eZe-Hang is the first development. Three companies have collaborated on

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it: Wall Stylists, Inc., Hammond, Ind.; Birge Co., Buffalo, N. Y.; and W. P. Fuller & Co., San Francisco, Calif. The companies emphasize that eZe-Hang is not a paste; it's a resin plastic.

The new product eliminates the use of paste tables, buckets, and most of the other traditional tools of the trade. About all you need is a pair of scissors to cut the wallpaper to size, and a paint roller to apply the adhesive to a 10-ft. section of the wall. The adhesive sticks to practically anything—including wall-board, glass, and plaster. The only trick to learn is how to put the paper in place without touching the edge. If the adhesive does get on the front of the paper, it has to be removed with a dry cleaner like carbon tetrachloride.

• **Paster**—The other new product is a "Home-Paperhanger" introduced by Nu-Way Mfg. Co., 634 Revere Rd., Merion Station, Pa. It costs \$4.95.

To work it, you pour any conventional paste into the metal box, which contains a corded roller to apply paste evenly. Then you put a roll of paper (up to 22 in. wide) in the box. A spring weight holds it in place. You don't have to pre-cut the paper or remove the furniture from the room. You just put the paperhanger against the baseboard of the wall to be covered, lift the paper up to the ceiling. As the paper unwinds, the paste goes on smoothly. You fix the paper in place and trim it to the correct length while it's on the wall.

NEW PRODUCTS BRIEFS

Rubber floor duct that eliminates over-the-floor wiring problems in such places as offices and warehouses will be produced by Goodyear Tire & Rubber Co. The duct lies on the surface, but it rises only $\frac{7}{8}$ in.; it's 2½ in. at the base. The duct was designed by two telephone men, who have formed a new company, Winders & Geist, Inc. (Lincoln, Neb.), to market their product.

• **Slotted metal clips**, called Zip Clips, can be driven in with a hammer like nails to hold shelves, secure drawer dividers, or for installation of window ventilators. They were developed by Asa D. Scott Industries, Inc. (5447 Wayne Ave., Chicago 40). Four sharp prongs on the back of the clips hold them in place. They're designed to take up to ¼-in.-thick wood, glass, or other material.

• **Decorative Formica plastic material** can now be applied by amateurs at home, according to Formica Co. A new adhesive makes the plastic stick easier to table tops, sinks, bathroom walls, and other smooth surfaces.

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Taxes on Business Growth

On Oct. 18 we devoted this page to a report on how the present federal tax structure discourages the growth of small companies. This is probably the most menacing aspect of a high corporate income tax. But it is not the only one. In big business, as well as small, taxes are discouraging initiative, enterprise, and the willingness to venture into new fields.

This statement seems to run counter to the impressive figures on capital investment and new capacity. For seven postwar years, corporations—particularly large ones—have been expanding their productive facilities. And it looks as though there may be another big year ahead. Nevertheless, initiative is being discouraged.

During the past two years of defense boom, business capital expenditures have not depended primarily on how many new ideas for plant improvements were suggested, or on companies' willingness to invest in new products and processes. Expansion has been fostered mainly by the defense program and the rising level of sales in most industries.

In this atmosphere, the repressive effects of high tax rates on capital investment have been concealed by:

(1) A sellers' market that has enabled many corporations to pass increased tax burden to the consumer.

(2) The granting of faster amortization for tax purposes on new facilities designated "necessary" to defense. This has mitigated the effect of high tax rates on earnings from such facilities.

These factors are all still present to some degree. And capital spending continues at a high level. But it is increasingly concentrated in fields where some tax shelter is available. The most recent McGraw-Hill survey indicates that nearly half the capital outlays planned by manufacturers for 1953 will be concentrated in three industries—steel, oil, and chemicals. Investment in these three is largely for defense-connected expansion supported by special tax privileges.

How Growth Is Held Back

When investment becomes concentrated in this way, it's obvious that someone is getting left out. Some projects that might contribute to better-balanced industrial growth are being shelved. In nondefense industries such as food, textiles, and consumer metal products, taxes are cutting deeply into the funds available to finance capital expenditures. In metalworking generally, although modernization of equipment is still a vital need, capital spending is declining as defense expansion is completed. This indicates that many suggestions (1) for improving equipment, or (2) for developing new civilian products, are being turned down.

However, the effect of high taxes on invention and initiative is not restricted to any one industry or group of industries. It is an effect that pervades every com-

pany today at the level where production men must bring their new ideas to the attention of financial men. No matter how much labor a new machine or a new method will save, no matter how much it will add to the quality of production, this question is likely to come up: "How will this expenditure work out taxwise?"

There was a time when an expenditure that paid out quickly before taxes would probably pay out in a satisfactory period after taxes were taken into account. But that's not necessarily so today. In many companies, the requirement for pre-tax payout is necessarily so high as to rule out some of the best suggestions.

In large corporations, one of the first questions asked about any proposed capital expenditure is: "Can we get fast amortization on it?" If not, the project is very likely to be shelved. Even in such fast-growing industries as chemicals or aluminum, the payout is doubtful. In a broad range of industry, where expansion needs are less obvious and expenditures must be largely for modernization, there is no possibility of fast amortization for tax purposes. So spending for modernization is being postponed until profit prospects improve.

The Critical Point

What if we do postpone modernization expenditures? What if there are not so many new products or processes introduced at a time when defense-supported expansion is booming? Does it make any difference as long as total capital spending stays so high?

We think that it does make a very big difference. The quality of business capital expenditures is as important, in the long run, as the quantity. The concentration of expansion in lines where tax shelter is available may leave us with too little in others. And some companies will have more capacity, when what they really need is more efficient capacity.

A still greater danger, for the long run, is the effect on management thinking of a tax structure that discourages modernization expenditures. The real basis of growth, in large corporations as well as small, has been the steady flow of new production ideas implemented by investing in better equipment, new products, and new processes. When the tax consideration becomes so important that it supersedes normal considerations, the growth process is slowed down. If production men become discouraged—as many have—and submit fewer new ideas, may eventually reach serious proportions.

So far, the flow of research and invention has not yet been choked off, and leading corporations still have backlogs of suggested improvements. But it is high time to consider whether today's tax level, if long continued, will permit even the largest and strongest corporations to keep on investing in new ideas at a rate that will assure an expanding economy.



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